



**EMTHANJENI MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
For the year ended 30 June 2018**

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2018**

**GENERAL INFORMATION**

**Members of the Council:**

ST Sthonga	Mayor
MC Kivedo	Speaker
HJ Rust	Member of Executive Committee
NP Mkontwana	Member of Executive Committee
RR Faul	Whip
AF Jafta	Member
WJ Du Plessis	Member
PD Van Wyk	Member
LE Andrews	Member
J Hoffman	Member
L Billie	Member
MO Moramba	Member
PP Mhlauti	Member
D Vanel	Member
CJ Louw	Member

**Municipal Manager:** I Visser

**Chief Financial Officer:** MR Ludwick

**Grading of Local Authority:** Grade 2

**Auditors:** Auditor-General

**Bankers:** ABSA Bank Limited

**Registered Office:** 45 Dr. Pixley-ka-Seme Drive  
De Aar  
7000

**Physical address:** 45 Dr. Pixley-ka-Seme Drive  
De Aar  
7000

**Postal address:** P.O. Box 42  
De Aar  
7000

**Telephone number:** (053) 632 9100

**Fax number:** (053) 631 0105

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2018**

**APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

I am responsible for the preparation of these annual financial statements, which are set out on pages 10 to 96, in terms of Section 126(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in Note 33 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's



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Municipal Manager: J. Visser

31 August 2018

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2018**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

It gives me great pleasure to present the Annual Financial Statements of Emthanjeni Local Municipality at 30 June 2018.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2017/2018 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2018 indicates a decrease in Net Assets, a decrease in Non-current Liabilities and an increase in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the deficit generated on the operating account. The decrease in Non-current Liabilities is primarily as a result of the down payments made on finance leases. The increase in Current Liabilities is primarily as a result of the increase in trade payables.

**2. KEY FINANCIAL INDICATORS**

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

**2.1 Financial Statement Ratios:**

Indicator	2018	2017
Surplus / (Deficit) before Appropriations	(41,483,535)	(56,089,191)
Surplus / (Deficit) at the end of the Year	(41,483,535)	(56,089,191)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	27.22%	24.34%
Remuneration of Councilors	1.89%	1.72%
Collection Costs	0.00%	0.06%
Depreciation and Amortisation	22.21%	21.89%
Impairment Losses	8.86%	12.71%
Repairs and Maintenance	4.23%	3.87%
Interest Paid	2.84%	2.53%
Bulk Purchases	21.21%	20.98%
Contracted Services	2.48%	2.97%
Grants and Subsidies Paid	0.18%	0.13%
General Expenses	8.22%	8.90%
Loss on Disposal of Property, Plant and Equipment	0.12%	0.10%
Loss on Sale of Land	0.00%	0.00%
Current Ratio:		
Trade Creditors Days	167	109
Debtors from Exchange Transactions Days	155	129

The ratio for Debtors Days, calculated on net Debtors, remained consistent with that of the previous financial year, due to the provision for impairment made for the year under review.

**2.2 Performance Indicators:**

Indicator	2018	2017
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	29.71%	27.92%
Outstanding Service Debtors to Revenue	42.41%	35.26%
Liquidity Management:		
Liquidity Ratio	0.92	1.02
Liability Management:		
Capital Cost as percentage of Own Revenue	5.99%	7.71%
Borrowed Funding as percentage of Own Capital Expenditure	2.34%	1197.79%
Borrowing as percentage of Total Capital Assets	0.14%	92.29%
Safety of Capital:		
Gearing	92.30%	102.43%
Financial Viability:		
Debt Coverage	2.38%	4.39%
Cost Coverage		

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**2. KEY FINANCIAL INDICATORS (continued)**

Indicator	2018	2017
Financial Performance		
Expenditure Management:		
Creditors to Cash and Investments	22.73	17.78
Capital Expenditure on Infrastructure to Total Capital Expenditure	2.09%	0.00%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

**3. OPERATING RESULTS**

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E (1), E (2) and E (3).

The services offered by Emthanjeni Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2018 are as follows:

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Income:					
Opening surplus / (deficit)	810,241,808	874,070,858	7.30%	1,035,617,677	21.78%
Operating income for the year	241,122,415	225,270,879	(7.04)%	253,447,898	4.88%
	1,051,364,223	1,099,341,537		1,289,065,373	
Expenditure:					
Operating expenditure for the year	(282,805,951)	(281,359,870)	(0.44)%	(230,081,194)	(22.84)%
Sundry transfers	-	(7,739,859)	100.00%	-	-
Closing surplus / (deficit)	(768,758,272)	(810,241,808)	5.12%	(1,059,004,179)	27.41%
	(1,051,364,223)	(1,099,341,537)		(1,289,065,373)	

**3.1 Rates and General Services:**

Rates and General Services are all types of services rendered by the Municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Income	82,804,710	88,739,995	(20.17)%	89,177,945	(19.41)%
Expenditure	(127,125,644)	(111,082,928)	(14.44)%	(108,748,890)	(16.90)%
Surplus / (Deficit)	(44,520,935)	(42,342,933)		(39,570,945)	
Surplus / (Deficit) as % of total income	(53.90)%	(61.60)%		(57.20)%	

Variance from 2018 budget:

Due to the fines revenue which was under-budgeted for.

Variance from 2017 actual:

No significant fluctuation identified.

**3.2 Housing Services:**

Housing Services are services rendered by the Municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Income	1,232,034	690,655	(78.39)%	43,589	(2726.48)%
Expenditure	(3,672,348)	(3,822,031)	3.92%	(2,395,750)	(53.29)%
Surplus / (Deficit)	(2,440,314)	(3,131,377)		(2,352,161)	
Surplus / (Deficit) as % of total income	(198.07)%	(453.39)%		(5396.23)%	

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**3. OPERATING RESULTS (continued)**

*Variance from 2018 budget:*

The municipality under budgeted for this grant received.

*Variance from 2017 actual:*

The municipality received a bigger grant in the current financial year than in the previous year.

**3.1 Waste Management Services:**

Waste Management Services are services rendered by the Municipality for the collection, disposal and purifying of waste (refuse and

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Income	40,174,986	39,042,618	(2.90)%	43,171,013	6.94%
Expenditure	(38,931,020)	(32,237,665)	(14.56)%	(28,485,156)	(29.85)%
Surplus / (Deficit)	3,243,968	6,804,953		14,685,857	
Surplus / (Deficit) as % of total income	8.07%	17.43%		34.02%	

*Variance from 2018 budget:*

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17.

*Variance from 2017 actual:*

No material fluctuation has been identified.

**3.4 Electricity Services:**

Electricity is bought in bulk from Eskom and distributed to the consumers by the Municipality. The cost of bulk purchases to the Municipality was R57 389 038 (2017: R56 758 499). Tariffs levied for electricity are subject to administered adjustments.

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Income	82,542,236	83,726,226	1.41%	89,196,773	7.46%
Expenditure	(98,646,494)	(87,945,794)	1.33%	(75,181,676)	(28.55)%
Surplus / (Deficit)	(16,104,258)	(14,219,568)		14,015,095	
Surplus / (Deficit) as % of total income	(17.09)%	(16.99)%		15.71%	

*Variance from 2018 budget:*

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17.

*Variance from 2017 actual:*

No material fluctuation has been identified.

**3.5 Water Services:**

Water is bought in bulk from various sources and distributed to the consumers by the Municipality. The cost of bulk purchases to the Municipality was R2 568 515 (2017: R2 268 527). Tariffs levied for water are subject to administered adjustments.

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Income	45,911,341	33,071,186	(38.83)%	51,658,376	11.47%
Expenditure	(29,573,335)	(35,068,789)	15.52%	(15,249,720)	(93.93)%
Surplus / (Deficit)	16,338,006	(1,935,594)		36,608,656	
Surplus / (Deficit) as % of total income	35.59%	(5.85)%		70.59%	

*Variance from 2018 budget:*

The municipality under budgeted for expenditure to be incurred for this capital grant received, however, due to better than foreseen expenditure management, most of this grant money was utilised.

*Variance from 2017 actual:*

In the current year the municipality incurred a lot of water capital expenditure, due to the fact an amount of R14 000 000 was received for WSG capital water expenditure.

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2018**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**4. FINANCING OF CAPITAL EXPENDITURE**

The expenditure on Assets during the year amounted to R29 868 165 (2017: R10 290 371). Full details of Assets are disclosed in Notes 7, 8, 9, 10 and Appendices B, C and E (4) to the Annual Financial Statements.

The capital expenditure of R29 868 165 was financed as follows

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Grants and Subsidies	29,906,813	-	#DIV/0!	11,505,250	(159.94)%
Own Funds (Accumulated Surplus)	1,906,729	792,913	(140.47)%	6,833,997	72.10%
Borrowings	44,643	9,497,458	99.53%	-	100.00%
	<b>31,858,185</b>	<b>10,290,371</b>		<b>18,339,247</b>	

Source of funding as a percentage of Total Capital Expenditure:

Details	2018	2017
Grants and Subsidies	93.87%	-
Public Contributions	5.99%	7.71%
Borrowings	0.14%	92.29%
	<b>100.00%</b>	<b>100.00%</b>

Capital Assets are funded to a great extent from grants and subsidies, as well as external loans (finance leases) as the Municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

**5. RECONCILIATION OF BUDGET TO ACTUAL**

**5.1 Operating Budget:**

Details	2018	2017
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(5,363,219)	5,033,000
Revenue variances	16,424,440	(2,187,600)
Expenditure variances:		
Employee Related Costs	(312,612)	(4,180,361)
Remuneration of Councillors	15,616	178,820
Collection Costs	(3,304)	(492,164)
Depreciation and Amortisation	(53,899,692)	(47,349,201)
Impairment Losses	(18,353,509)	(20,424,311)
Repairs and Maintenance	7,454,036	5,027,989
Finance Costs	(5,970,451)	1,794,659
Bulk Purchases	498,698	(1,328,223)
Contracted Services	2,857,982	1,247,226
Grants and Subsidies Paid	(516,112)	11,414,951
General Expenses	17,430,994	10,063,448
Loss on Disposal of Property, Plant and Equipment	(349,572)	(410,774)
Loss on Sale of Land	(1,595,030)	-
Actual surplus before appropriations	<b>(41,483,535)</b>	<b>(41,610,543)</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**5. RECONCILIATION OF BUDGET TO ACTUAL (continued)**

Details	2018	2017
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(5,363,219)	5,033,000
Executive and Council	(5,356,332)	4,232,480
Finance and Administration	2,704,530	7,885,214
Planning and Development	(10,793,954)	(12,608,820)
Health	116,709	(78,960)
Community and Social Services	(6,249,016)	(16,053,817)
Public Safety	8,133,827	13,799,886
Sports and Recreation	818,008	115,684
Road Transport	6,246,151	3,384,809
Other	(570,013)	(874,606)
Housing Services	(88,153)	(8,617,284)
Waste Management	(15,837,336)	
Waste Water Management	281,163	(18,783,258)
Electricity	(26,119,353)	(5,530,878)
Water	(20,270,650)	(13,514,193)
Actual surplus before appropriations	(74,347,539)	(41,610,543)

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E (1), E (2) and E (3).

**5.2 Capital Budget:**

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Executive and Council	1,076,206	14,629	(7256.47)%	1,025,000	44.09%
Finance and Administration	187,734	37,990	(394.17)%	1,260,000	85.10%
Planning and Development	22,131	-	#DIV/0!	-	-
Community and Social Services	308,998	432,027	26.48%	120,000	(157.50)%
Public Safety	-	-	#DIV/0!	57,000	100.00%
Sports and Recreation	-	-	100.00%	65,000	100.00%
Road Transport	13,657,674	9,504,076	(43.70)%	13,153,000	(3.84)%
Other	-	-	-	-	-
Housing Services	3,319	301,649	100.00%	-	-
Waste Management	32,683	-	100.00%	28,922	(13.00)%
Waste Water Management	9,492,036	-	#DIV/0!	981,000	(867.59)%
Electricity	6,579,383	-	#DIV/0!	7,900,000	16.72%
Water	498,022	-	#DIV/0!	17,279,000	97.12%
	<b>31,656,185</b>	<b>10,290,372</b>		<b>42,768,922</b>	

Details of the results per segmental classification of capital expenditure are included in Appendix C and in Appendix E (4).

**6. ACCUMULATED SURPLUS**

The balance of the Accumulated Surplus as at 30 June 2018 amounted to R768 757 410 (2017: R810 241 808) and is made up as follows:

Capital Replacement Reserve	2,252,793
Accumulated Surplus	766,504,617
	<b>768,757,410</b>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 22 and the Statement of Change in Net Assets for more detail.

**7. LONG-TERM LIABILITIES**

The outstanding amount of Long-term Liabilities as at 30 June 2018 was R1 013 266 (2017: R4 702 175).

Refer to Note 19 and Appendix "A" for more detail.



**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**8. EMPLOYEE BENEFIT LIABILITIES**

Non-Current portion of Employee Benefit Liabilities amounted to R35 882 413 as at 30 June 2018 (2017: R32 959 971) and is made up as follows:

Post-retirement Health Care Benefits Liability	32,259,244
Long Service Awards Liability	3,623,169
	<u>35,882,413</u>

Current portion of Employee Benefit Liabilities amounted to R2 038 889 as at 30 June 2018 (2017: R1 510 647) and is made up as follows:

Post-retirement Health Care Benefits Liability	(1,290,418)
Long Service Awards Liability	(748,471)
	<u>(2,038,889)</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 20 for more detail.

**9. NON-CURRENT PROVISIONS**

Non-current Provisions amounted R49 936 727 as at 30 June 2018 (2017: R42 731 906) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	46,936,726
	<u>46,936,726</u>

These provisions are made in order to enable the Municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 21 for more detail.

**10. CURRENT LIABILITIES**

Current Liabilities amounted R93 858 968 as at 30 June 2018 (2017: R89 777 240) and is made up as follows:

Consumer Deposits	Note 13	2,345,572
Payables from Exchange Transactions	Note 14	63,301,050
Payables from Non-exchange Transactions	Note 15	3,588,027
Unspent Conditional Grants and Receipts	Note 16	3,889,867
VAT Payable	Note 17	3,421,843
Bank Overdraft	Note 5	9,882,893
Current Portion of Long-term Liabilities	Note 18	3,733,833
Current Portion of Long-term Liabilities	Note 18	2,038,889
		<u>92,001,775</u>

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

**11. PROPERTY, PLANT AND EQUIPMENT**

The net value of Property, Plant and Equipment was R775 584 828 as at 30 June 2018 (2017: R808 483 601).

Refer to Note 7 and Appendices "B, C and E (4)" for more detail.

**12. INTANGIBLE ASSETS**

The net value of Intangible Assets were R136 551 as at 30 June 2018 (2017: R61 377).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfill its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

**13. INVESTMENT PROPERTY**

The net value of Investment Properties were R76 955 109 as at 30 June 2018 (2017: R78 557 109).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 9 and Appendix "B" for more detail.

**EMTHANJENI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2018**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**14. HERITAGE ASSETS**

The net value of Heritage Assets were R6 959 273 as at 30 June 2018 (2017: R6 959 273).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 10 and Appendix "B" for more detail.

**15. NON-CURRENT INVESTMENTS**

The Municipality held investments to the value of R28 054 as at 30 June 2018 (2017: R25 329).

Refer to Note 11 for more detail.

**16. LONG-TERM RECEIVABLES**

Long-term Receivables of R1 601 at 30 June 2018 (2017: R1 489) is made up as follows:

Other Loans	1,601
	<u>1,601</u>
Less: Short-term portion included in Current Assets	-
	<u>1,601</u>

Refer to Note 12 for more detail.

**17. CURRENT ASSETS**

Current Assets amounted R84 919 564 as at 30 June 2018 (2017: R74 048 820) and is made up as follows:

Inventories	Note 2	453,858
Receivables from Exchange Transactions	Note 3	57,547,395
Receivables from Non-exchange Transactions	Note 4	14,087,517
Cash and Cash Equivalents	Note 5	12,826,252
Operating Lease Assets	Note 6	4,542
		<u>84,919,564</u>

The increase in the amount for Current Assets is mainly due to the increased amount for Receivables from Non-exchange Transactions in respect of fines accounted for in accordance with GRAP 23.

Refer to the indicated Notes for more detail.

**18. INTER-GOVERNMENTAL GRANTS**

The Municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 17 and 27, and Appendix "F" for more detail.

**19. EVENTS AFTER THE REPORTING DATE**

Full details of all known events, if any, after the reporting date are disclosed in Note 62.

**20. EXPRESSION OF APPRECIATION**

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.



**CHIEF FINANCIAL OFFICER**  
31 August 2018

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

		Actual	
	Note	2018	2017
		R	Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>84,919,564</b>	<b>74,048,820</b>
Inventories	2	453,858	451,789
Receivables from Exchange Transactions	3	57,547,395	45,998,831
Receivables from Non-exchange Transactions	4	14,087,517	16,891,165
Cash and Cash Equivalents	5	12,826,252	10,702,493
Current Portion of Operating Lease Receivables	6	4,542	4,542
<b>Non-Current Assets</b>		<b>859,672,889</b>	<b>892,115,650</b>
Property, Plant and Equipment	7	775,584,828	806,483,601
Intangible Assets	8	136,551	61,377
Investment Property	9	76,955,109	78,577,109
Heritage Assets	10	6,959,273	6,959,273
Non-current Investments	11	28,054	25,329
Long-term Receivables	12	1,601	1,489
Operating Lease Receivables	6	7,473	7,473
<b>Total Assets</b>		<b>944,592,453</b>	<b>966,164,471</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>92,001,775</b>	<b>72,290,645</b>
Consumer Deposits	13	2,345,572	2,269,439
Payables from Exchange Transactions	14	63,301,050	45,958,926
Payables from Non-exchange Transactions	15	3,588,027	3,539,875
Unspent Conditional Grants and Receipts	16	3,689,667	3,857,622
VAT Payable	17	3,421,843	3,802,686
Bank Overdraft	5	9,882,893	7,918,255
Current Portion of Long-term Liabilities	18	3,733,833	3,433,193
Current Portion of Employee Benefit Liabilities	19	2,038,889	1,510,647
<b>Non-Current Liabilities</b>		<b>83,832,406</b>	<b>83,632,019</b>
Long-term Liabilities	18	1,013,266	4,702,175
Employee Benefit Liabilities	19	35,882,413	36,197,938
Non-current Provisions	20	46,936,726	42,731,906
<b>Total Liabilities</b>		<b>175,834,181</b>	<b>155,922,663</b>
<b>Total Assets and Liabilities</b>		<b>768,758,272</b>	<b>810,241,808</b>
<b>NET ASSETS</b>		<b>768,758,272</b>	<b>810,241,808</b>
Accumulated Surplus / (Deficit)	21	768,758,272	810,241,808
<b>Total Net Assets</b>		<b>768,758,272</b>	<b>810,241,808</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

		Actual	
	Note	2018 R	2017 Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	22	31,790,141	30,751,648
Property Rates - Penalties imposed and collection charges	23	388,442	281,347
Fines	23	9,201,881	16,970,493
Licences and Permits	24	1,630,387	1,441,035
Government Grants and Subsidies Received	25	71,704,272	50,698,510
<b>Revenue from Exchange Transactions</b>			
Service Charges	26	117,398,275	118,273,712
Rental of Facilities and Equipment	27	851,520	832,789
Interest Earned - External Investments	28	1,468,193	1,390,035
Interest Earned - Outstanding Debtors	28	1,092,857	882,201
Other Revenue	29	5,593,721	3,035,101
Gains on Other Operations	42	2,725	713,809
<b>Total Revenue</b>		<b><u>241,122,415</u></b>	<b><u>225,270,679</u></b>
<b>EXPENDITURE</b>			
Employee Related Costs	31	76,915,008	68,489,476
Remuneration of Councillors	32	5,334,661	4,835,161
Collection Costs	33	3,304	174,499
Depreciation and Amortisation	34	62,755,291	61,579,192
Impairment Losses	35	25,031,854	35,755,660
Repairs and Maintenance	36	11,943,347	10,328,840
Finance Costs	37	8,025,161	7,128,387
Bulk Purchases	38	59,937,553	59,027,026
Contracted Services	39	6,960,678	8,358,489
Grants and Subsidies Paid	40	516,112	361,886
General Expenses	41	23,238,377	25,045,849
Loss on Disposal of Property, Plant and Equipment	43	349,572	273,079
Loss on Sale of Land	32	1,595,030	2,325
<b>Total Expenditure</b>		<b><u>282,605,951</u></b>	<b><u>281,359,870</u></b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b><u>(41,483,535)</u></b>	<b><u>(56,089,191)</u></b>
<b>Refer to Budget Statement for explanation of budget variances</b>			

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018**

Description	Accumulated Surplus / (Deficit) Account		Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R
<b>2017</b>				
Balance at 1 July 2017	2,252,793	871,817,203	874,069,996	874,070,858
Prior Period Error (Note 45)		(7,739,859)	(7,739,859)	(7,739,859)
<b>Restated Balance</b>				
Surplus / (Deficit) for the year	2,252,793	864,077,344	866,330,137	866,330,999
<b>Balance at 30 June 2017</b>	-	(56,089,191)	(56,089,191)	(56,089,191)
	2,252,793	807,988,153	810,240,946	810,241,808
<b>2018</b>				
Restated Balance at 1 July 2018	2,252,793	807,988,153	810,240,946	810,241,808
Surplus / (Deficit) for the year	-	(41,483,535)	(41,483,535)	(41,483,535)
<b>Balance at 30 June 2018</b>	2,252,793	766,504,617	768,757,410	768,758,272

Details on the movement of the Funds and Reserves are set out in Note 22.

**EMTHANJENI LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

		Actual	
	Note	2018 R	2017 Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates		31,790,140.69	22,851,095
Government Grant and Subsidies		71,020,205.51	49,559,656
Service Charges		90,823,103.83	102,246,868
Interest Received		1,468,192.92	2,272,235
Other Receipts		10,832,268.00	9,810,808
<b>Payments</b>			
Employee Related Costs		(75,624,574)	(71,822,294)
Remuneration of Councillors		(5,334,661)	(4,835,161)
Interest Paid		(3,820,341)	(3,364,773)
Suppliers Paid		(85,696,637)	(118,661,673)
Other Payments		-	22,739,782
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>48</b>	<b><u>35,457,698</u></b>	<b><u>10,796,542</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(31,858,186)	(22,065,484)
Purchase of Intangible Assets	10	(148,610)	(15,655)
Proceeds on Disposal of Property, Plant and Equipment	44	69,630	96,368
Proceeds on Sale of Land	31	26,970	(2,325)
Decrease / (Increase) in Long-term Receivables	12	(112)	(120)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b><u>(31,910,308)</u></b>	<b><u>(21,987,216)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Borrowings	19	44,643	9,497,458
Repayment of Borrowings	19	(3,432,912)	(3,046,258)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b><u>(3,388,269)</u></b>	<b><u>6,451,200</u></b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b><u>159,121</u></b>	<b><u>(4,739,474)</u></b>
Cash and Cash Equivalents at Beginning of Period	5	2,784,237	7,523,712
Cash and Cash Equivalents at End of Period	5	2,943,359	2,784,237

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

2018

Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Shifting of Funds R	Virement R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Original Budget R	Actual Outcome as % of Final Budget R
<b>FINANCIAL POSITION</b>											
Current Assets											
Inventories	66,211,332	(65,621,332)	590,000	-	-	590,000	453,858	-	(136,142)	99.311%	(43.071%)
Receivables from Exchange Transactions	23,508,686	-	23,508,686	-	-	23,508,686	57,341,295	-	34,832,609	147.791%	144.79%
Receivables from Non-exchange Transactions	11,615,122	-	11,615,122	-	-	11,615,122	2,472,394	-	(9,142,728)	21.28%	21.28%
Cash and Cash Equivalents	10,141,236	(222,555)	9,918,681	-	-	9,918,681	12,826,262	-	2,917,581	26.48%	28.44%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	4,542	-	4,542	100.00%	100.00%
Non-Current Assets											
Property, Plant and Equipment	947,605,033	71,753,525	1,019,358,558	-	-	1,019,358,558	775,584,828	-	(243,773,729)	118.151%	(23.911%)
Intangible Assets	382,117	-	382,117	-	-	382,117	136,551	-	(245,566)	64.261%	(64.261%)
Investment Property	5,018,200	65,621,332	70,639,532	-	-	70,639,532	76,951,109	-	6,311,577	143.52%	8.94%
Held for Sale Assets	-	-	-	-	-	-	6,959,273	-	6,959,273	100.00%	100.00%
Non-current Investments	28,782	-	28,782	-	-	28,782	21,054	-	(7,728)	(2.531%)	(2.531%)
Long-term Receivables	-	-	-	-	-	-	1,601	-	1,601	100.00%	100.00%
Operating Lease Receivables	56,120	-	56,120	-	-	56,120	7,473	-	(48,647)	100.00%	(86.681%)
<b>Total Assets</b>	<b>1,064,565,628</b>	<b>71,520,083</b>	<b>1,136,085,711</b>	<b>-</b>	<b>-</b>	<b>1,136,085,711</b>	<b>944,592,433</b>	<b>-</b>	<b>(191,493,278)</b>	<b>(86.681%)</b>	<b>(86.681%)</b>
Current Liabilities											
Consumer Deposits	2,431,420	-	2,431,420	-	-	2,431,420	2,345,572	-	(85,848)	(3.531%)	(3.531%)
Provisions	3,631,420	-	3,631,420	-	-	3,631,420	2,038,869	-	(1,592,551)	(43.851%)	(43.851%)
Payables from Exchange Transactions	19,127,354	2,699,000	21,826,354	-	-	21,826,354	63,301,050	-	41,474,696	230.95%	190.02%
Payables from Non-exchange Transactions	-	-	-	-	-	-	3,588,027	-	3,588,027	100.00%	100.00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	3,689,667	-	3,689,667	100.00%	100.00%
VAT Payable	-	-	-	-	-	-	3,421,843	-	3,421,843	100.00%	100.00%
Bank Overdraft	8,968,790	-	8,968,790	-	-	8,968,790	9,882,893	-	914,102	10.19%	10.19%
Current Portion of Long-term Liabilities	-	3,433,193	3,433,193	-	-	3,433,193	3,733,833	-	300,639	108.761%	6.76%
Non-Current Liabilities											
Long-term Liabilities	-	-	-	-	-	-	1,013,266	-	1,013,266	100.00%	100.00%
Retirement Benefit Liabilities	-	-	-	-	-	-	35,882,413	-	35,882,413	100.00%	100.00%
Non-current Provisions	36,792,241	-	36,792,241	-	-	36,792,241	46,936,726	-	10,144,485	27.57%	27.57%
<b>Total Liabilities</b>	<b>70,951,225</b>	<b>6,132,193</b>	<b>77,083,418</b>	<b>-</b>	<b>-</b>	<b>77,083,418</b>	<b>175,534,181</b>	<b>-</b>	<b>98,450,762</b>	<b>(247.441%)</b>	<b>(15.341%)</b>
<b>Total Assets and Liabilities</b>	<b>935,615,403</b>	<b>65,388,776</b>	<b>1,000,994,179</b>	<b>-</b>	<b>-</b>	<b>1,000,994,179</b>	<b>769,750,272</b>	<b>-</b>	<b>(230,243,907)</b>	<b>(82.631%)</b>	<b>(76.631%)</b>
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	993,615,403	65,388,776	1,059,004,179	-	-	1,059,004,179	768,750,272	-	(290,243,907)	(76.631%)	(72.411%)
<b>Total Net Assets</b>	<b>993,615,403</b>	<b>65,388,776</b>	<b>1,059,004,179</b>	<b>-</b>	<b>-</b>	<b>1,059,004,179</b>	<b>768,750,272</b>	<b>-</b>	<b>(290,243,907)</b>	<b>(76.631%)</b>	<b>(72.411%)</b>

# **EMTHANJENI LOCAL MUNICIPALITY** **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

<b>Financial Position: Explanation of Variances between Approved Budget and Actual</b>	
<b>Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:</b>	
<b>Receivables from Exchange Transactions:</b>	
Management is attempting to enforce the Debt and Credit Collection Policy, resulting a significant lower budgeted amount. The result was however not obtained. The increase however remains consistent with that of the previous year and a sufficient allowance for doubtful debt was provided for all doubtful consumer debtors, excluding Government Debt.	
<b>Receivables from Non-exchange Transactions:</b>	
The material variance is attributed to the recognition of all fees in accordance with GRAP 23. A higher payment rate was expected, but not received. This resulted in a under budgeted amount regarding the receivables	
<b>Operating Lease Receivables:</b>	
The Municipality budgeted for other Non-current Assets, which includes the Operating Lease Assets. The Operating Lease assets are based on the rental income generated, which includes escalations. As these rental contracts are nearing there term, the asset is decreasing. The Municipality overbudgeted for the asset at year-end.	
<b>Property, Plant and Equipment:</b>	
The significant fluctuation is due to the depreciation expense which increased in comparison to that of the prior year. The Municipality uses a "backlog" depreciation expense approach which resulted in a significant higher balance being budgeted for.	
<b>Intangible Assets:</b>	
No new material Intangible Assets were purchased during the year. The Municipality uses a "backlog" amortisation expense approach which resulted in a significant higher balance being budgeted for.	
<b>Inventories</b>	
The municipality transferred all investment property from inventories to PPE in the previous financial year. The municipality under budgeted for stock in the stores at year-end.	
<b>Heritage Assets:</b>	
The transitional provisions of GRAP 103 ended 30 June 2015 and the Heritage Assets were valued and recorded in accordance with GRAP 3. Management has not yet adjusted the budget to take into account the balance.	
<b>Long-term Receivables:</b>	
Loan (receivable) accounts at OVK. These loans were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.	
<b>Provisions:</b>	
An actuarial gain (as determined by the actuaries) resulted in the increase not meeting the expected growth (increase).	
<b>Payables from Exchange Transactions:</b>	
In relation to the outstanding balance budgeted for, the Municipality's outstanding creditors are material higher category due to outstanding amounts owed to Eskom. This resulted in the material fluctuation and has caused cash flow constraints experienced by the Municipality.	
<b>Payables from Non-exchange Transactions:</b>	
The Municipality did not budget for this line item as it is represented by Paid in Advance accounts.	
<b>Unspent Conditional Grants and Receipts:</b>	
Management anticipated all grant funding to be used for the specific purpose assigned. At year-end however, unspent WSIG funding was still available which will be used for capital projects in the next financial year.	
<b>VAT Payable:</b>	
The Municipality did not budget for any VAT to be payable at year-end, but due to the fact that the Municipality is on the cash-basis of accounting and all debtors were not recovered at year-end, a balance does exist.	
<b>Long-term Liabilities:</b>	
The municipality does not differentiate the long term liabilities between current and non current portions when they perform their budget, thus resulting in the under budgeted amount	
<b>Retirement Benefit Liabilities:</b>	
The increase is attributable to the variables within the actuarial valuation, which increased resulting in higher than expected interest costs.	
<b>Non-current Provisions:</b>	
The calculations pertaining to the provision for landfill sites were amended in the 2018 financial year. The municipality could not foresee this and hence this was not budgeted for.	



**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

2018

Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Shilling of Funds R	Virement R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Original Budget R	Actual Outcome as % of Final Budget R
<b>FINANCIAL PERFORMANCE</b>											
Revenue from Non-exchange Transactions											
Property Rates	27,762,540	-	27,762,540	-	-	27,762,540	31,790,141	-	4,027,601	14,51%	14,51%
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	388,442	-	388,442	100,00%	100,00%
Fees	3,720,000	-	3,720,000	-	-	3,720,000	9,201,381	-	5,481,381	142,36%	142,36%
Licences and Permits	1,970,388	-	1,970,388	-	-	1,970,388	1,530,377	-	(439,991)	77,20%	77,20%
Government Grants and Subsidies Received	73,053,000	2,699,000	75,752,000	-	-	75,752,000	71,104,272	-	(4,647,728)	93,87%	93,87%
Revenue from Exchange Transactions											
Service Charges	119,875,979	(2,800,000)	116,875,979	-	-	116,875,979	117,398,275	-	522,296	100,00%	100,00%
Rental of Facilities and Equipment	765,073	-	765,073	-	-	765,073	851,520	-	86,447	111,36%	111,36%
Interest Earned - External Investments	9,000,000	-	9,000,000	-	-	9,000,000	1,681,193	-	(7,318,807)	18,68%	18,68%
Interest Earned - Outstanding Debts	1,250,089	-	1,250,089	-	-	1,250,089	1,092,857	-	(157,232)	87,41%	87,41%
Other Income	28,119,625	(4,000,000)	24,119,625	-	-	24,119,625	5,993,721	-	(18,525,904)	26,67%	26,67%
Gain on Sale of Property, Plant and Equipment	268,000	-	268,000	-	-	268,000	2,725	-	(265,275)	1,02%	1,02%
<b>Total Revenue</b>	<b>257,545,898</b>	<b>(4,101,000)</b>	<b>253,444,898</b>	<b>-</b>	<b>-</b>	<b>253,444,898</b>	<b>241,122,415</b>	<b>-</b>	<b>(12,323,483)</b>	<b>93,93%</b>	<b>93,93%</b>
<b>Expenditure</b>											
Employee Related Costs	76,930,242	(327,656)	76,602,586	-	-	76,602,586	76,915,008	-	312,612	100,00%	100,00%
Remuneration of Councilors	5,275,150	75,327	5,350,477	-	-	5,350,477	5,334,661	-	(15,816)	1,13%	1,13%
Collection Costs	9,055,599	-	9,055,599	-	-	9,055,599	62,155,291	-	53,099,692	598,50%	598,50%
Depreciation and Amortisation	7,578,345	(900,000)	6,678,345	-	-	6,678,345	25,031,854	-	18,353,509	230,31%	230,31%
Impairment Losses	19,397,385	-	19,397,385	-	-	19,397,385	11,543,347	-	(7,854,038)	59,56%	59,56%
Repairs and Maintenance	2,054,710	-	2,054,710	-	-	2,054,710	8,025,161	-	5,970,451	293,07%	293,07%
Finance Costs	60,431,251	-	60,431,251	-	-	60,431,251	59,937,553	-	(493,698)	99,18%	99,18%
Bulk Purchases	9,818,660	-	9,818,660	-	-	9,818,660	6,960,678	-	(2,857,982)	70,89%	70,89%
Contracted Services	40,804,893	(135,622)	40,669,271	-	-	40,669,271	516,112	-	(39,853,159)	1,24%	1,24%
Grants and Subsidies Paid	-	-	-	-	-	-	23,238,377	-	23,238,377	100,00%	100,00%
General Expenses	-	-	-	-	-	-	349,572	-	349,572	100,00%	100,00%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	1,595,000	-	1,595,000	100,00%	100,00%
Loss on Sale of Land	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>231,243,243</b>	<b>(1,258,051)</b>	<b>230,085,194</b>	<b>-</b>	<b>-</b>	<b>230,085,194</b>	<b>282,005,931</b>	<b>-</b>	<b>52,544,757</b>	<b>110,60%</b>	<b>110,60%</b>
<b>Surplus (Deficit)</b>	<b>26,199,451</b>	<b>(2,812,949)</b>	<b>23,386,502</b>	<b>-</b>	<b>-</b>	<b>23,386,502</b>	<b>(41,483,516)</b>	<b>-</b>	<b>(64,870,018)</b>	<b>(158,34)%</b>	<b>(177,38)%</b>
<b>Surplus (Deficit) for the Year</b>	<b>26,199,451</b>	<b>(2,812,949)</b>	<b>23,386,502</b>	<b>-</b>	<b>-</b>	<b>23,386,502</b>	<b>(41,483,516)</b>	<b>-</b>	<b>(64,870,018)</b>	<b>(158,34)%</b>	<b>(177,38)%</b>

# EMTHANJENI LOCAL MUNICIPALITY STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

**Financial Performance:** Explanation of Variances between Approved Budget and Actual  
**Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:**

**Property Rates:**  
 At the time the budget was compiled, the municipality wrongly did not change one of it's property rates tariffs from the previous year, this was later amended but not before submitting the budget, resulting in an under budgeted amount.

**Property Rates - Penalties Imposed and collection charges:**

The Property Rates - Penalties imposed and collection charges is budgeted for under Interest Received.

**Fines:**  
 For the financial years presented, all fines (inspector's whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at year-end.

**Licenses and Permits:**  
 The Municipality anticipated an increase in the revenue generated from motor registrations, but due to the fact that the Municipality does not have control over this revenue, it has over budgeted for it.

**Interest Earned - External Investments:**

By way of Cash Management Procedures, management were able to generate more finance income through external investment than budgeted for.

**Other Income:**

The Municipality was not able to generate the desired revenue.

**Gains on Other Operations:**

The Municipality did not budget for an increase in value in the OVK shares, as the shares depressed in value the previous financial year.

**Gains on Disposal of Property, Plant and Equipment:**

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). But due to the economic situation within the municipal boundaries, the desired prices were not reached.

**Collection Costs:**

The Municipality did not budgeted for any debtors to be recovered through the collection agency.

**Depreciation and Amortisation:**

Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.

**Repairs and Maintenance:**

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

**Finance Costs:**

The Municipality incurred finance cost expenditure on large overture creditors like Eskom. The municipality did not foresee the large amount of creditors and thus also not the finance cost raised on these creditors.

**Contracted Services:**

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

**General Expenditure:**

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

**Loss on Disposal of Property, Plant and Equipment:**

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). But due to the economic situation within the municipal boundaries, the desired prices were not reached. Unverified assets also contributed to the loss.

**Loss on disposal of Land:**

The municipality re-classified property held for sale from inventory to PPE in the previous financial year. This resulted in all of these properties to be re-valued. The municipality did not budget for this loss incurred.

2018

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	1,925,000	-	1,925,000	-	-	1,925,000	1,975,206	-	(848,704)	(44.09)%	(44.09)%
Finance and Administration	1,250,000	-	1,250,000	-	-	1,250,000	187,724	-	(1,072,266)	(185.10)%	(85.10)%
Planning and Development	-	-	-	-	-	-	22,131	-	22,131	100.00%	100.00%
Health	-	-	-	-	-	-	-	-	-	-	-
Community and Social Services	120,000	-	120,000	-	-	120,000	304,998	-	189,998	57.50%	157.50%
Housing	57,000	-	57,000	-	-	57,000	3,319	-	(57,000)	(DIV)	(DIV)
Public Safety	65,000	-	65,000	-	-	65,000	-	-	(65,000)	(200.00)%	(100.00)%
Sports and Recreation	-	-	-	-	-	-	-	-	-	(200.00)%	(100.00)%
Environmental Protection	22,000	-	22,000	-	-	22,000	7,534,699	-	7,512,699	34048.63%	34148.63%
Waste Management	15,153,000	(2,000,000)	13,153,000	-	-	13,153,000	13,657,674	-	504,674	(96.67)%	3.84%
Roads and Transport	14,090,000	3,199,000	17,279,000	-	-	17,279,000	498,022	-	(16,780,978)	(218.18)%	(97.12)%
Water	6,400,000	1,500,000	7,900,000	-	-	7,900,000	6,579,343	-	(1,320,617)	(120.03)%	(83.21)%
Electricity	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	<b>29,082,000</b>	<b>2,699,000</b>	<b>41,781,000</b>	<b>-</b>	<b>-</b>	<b>41,781,155</b>	<b>29,848,155</b>	<b>-</b>	<b>(11,932,835)</b>	<b>-</b>	<b>-</b>
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>											
The large fluctuations are due to the movement in WPP projects for the year. Furthermore the municipality anticipated for larger capital expenditure but due to amongst others all capital grant moneys not spent, the municipality over budgeted for that.											

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Shifting of Funds R	Virement R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Original Budget R	Actual Outcome as % of Final Budget R
<b>CASH FLOW</b>											
Cash Flows from/(used in) Operating Activities											
Property Rates	24 941 995	-	24 941 995	-	-	24 941 995	31 790 141	-	6 848 146	127.46%	27.46%
Grants	71 053 000	2 699 000	73 752 000	-	-	73 752 000	1 020 206	-	(4 731 794)	1.38%	(6.23)%
Service Charges	113 321 180	(2 050 000)	111 271 180	-	-	111 271 180	90 468 184	-	(20 803 000)	80.35%	(18.35)%
Interest Receipts	1 722 867	-	1 722 867	-	-	1 722 867	10 332 268	-	(8 609 401)	598.87%	(14.78)%
Other Receipts	33 310 534	(3 400 000)	29 910 534	-	-	29 910 534	75 824 574	-	(45 914 040)	224.58%	(63.78)%
Employee Related Costs	(76 910 252)	2 908 051	(74 002 201)	-	-	(74 002 201)	(5 334 681)	-	(1 667 520)	7.07%	1.70%
Remuneration of Councilors	(5 275 150)	-	(5 275 150)	-	-	(5 275 150)	(3 820 341)	-	(1 544 191)	72.41%	1.13%
Interest Paid	(2 054 710)	-	(2 054 710)	-	-	(2 054 710)	(85 686 637)	-	(83 631 927)	41.69%	85.93%
Supplier's Paid	(123 336 297)	-	(123 336 297)	-	-	(123 336 297)	-	-	37 639 650	30.52%	30.52%
Other Payments	-	-	-	-	-	-	-	-	-	100.00%	100.00%
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(39 082 000)	(2 699 000)	(41 781 000)	-	-	(41 781 000)	(32 006 796)	-	9 774 204	18.10%	(23.39)%
Proceeds on Disposal of Property, Plant and Equipment	268 000	-	268 000	-	-	268 000	96 600	-	(171 400)	35.67%	(63.96)%
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	(112)	-	(112)	100.00%	100.00%
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	94 769	3 338 424	3 433 193	-	-	3 433 193	44 643	-	(3 388 550)	100.00%	100.00%
Loans repaid	-	(3 433 193)	(3 433 193)	-	-	(3 433 193)	(3 433 912)	-	281	#DIV/0!	(6.01)%
Increase / (Decrease) in Consumer Deposits	-	94 769	94 769	-	-	94 769	-	-	(94 769)	#DIV/0!	(100.00)%
<b>Cash and Cash Equivalents at End of the Year</b>	<b>31 945</b>	<b>(2 541 849)</b>	<b>(2 509 904)</b>	<b>-</b>	<b>-</b>	<b>(2 509 904)</b>	<b>159 121</b>	<b>-</b>	<b>2 667 124</b>		
<b>Cash Flow: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items included in the Cash Flow Statement are explained below:											
The material fluctuation is mainly attributable to the material creditors paid at year-end and the new finance lease entered into during the year.											

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shilling of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	65,555,774	-	65,555,774	-	-	65,555,774	451,789	-	(65,103,985)	98,311%	99,211%
Receivables from Exchange Transactions	22,823,967	-	22,823,967	-	-	22,823,967	45,998,831	-	23,174,864	101,54%	101,54%
Receivables from Non-exchange Transactions	11,276,818	-	11,276,818	-	-	11,276,818	16,991,165	-	5,614,347	49,79%	49,79%
Cash and Cash Equivalents	11,043,222	(555,785)	10,487,437	-	-	10,487,437	10,702,493	-	255,056	100,00%	100,00%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	4,542	-	4,542	100,00%	100,00%
<b>Non-Current Assets</b>											
Property, Plant and Equipment	932,113,624	(2,400,000)	929,713,624	-	-	929,713,624	806,483,601	-	(122,230,023)	(13,48)%	(13,25)%
Intangible Assets	457,575	-	457,575	-	-	457,575	61,377	-	(396,199)	(86,59)%	(86,59)%
Investment Property	5,004,000	(600)	5,003,400	-	-	5,003,400	78,573,709	-	73,570,309	1470,29%	1470,29%
Heritage Assets	-	-	-	-	-	-	6,959,273	-	6,959,273	100,00%	100,00%
Non-current Investments	28,639	-	28,639	-	-	28,639	25,329	-	(3,310)	(11,56)%	(11,56)%
Long-term Receivables	-	-	-	-	-	-	1,489	-	1,489	100,00%	100,00%
Operating Lease Receivables	82,669	-	82,669	-	-	82,669	7,473	-	(75,196)	100,00%	100,00%
<b>Total Assets</b>	<b>1,048,385,308</b>	<b>(2,399,389)</b>	<b>1,045,985,919</b>	-	-	<b>1,045,985,919</b>	<b>966,164,471</b>	-	<b>(78,220,448)</b>	-	-
<b>Current Liabilities</b>											
Consumer Deposits	2,289,134	-	2,289,134	-	-	2,289,134	2,289,439	-	(19,695)	(0,86)%	(0,86)%
Provisions	2,971,980	-	2,971,980	-	-	2,971,980	1,510,647	-	(1,461,333)	(49,17)%	(49,17)%
Payables from Exchange Transactions	16,352,308	2,400,000	18,752,308	-	-	18,752,308	45,998,926	-	27,246,618	161,05%	145,08%
Payables from Non-exchange Transactions	-	-	-	-	-	-	3,539,875	-	3,539,875	100,00%	100,00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	3,857,822	-	3,857,822	100,00%	100,00%
VAT Payable	9,337,571	-	9,337,571	-	-	9,337,571	3,862,686	-	(5,474,885)	(15,20)%	(15,20)%
Bank Overdraft	687,608	-	687,608	-	-	687,608	7,818,283	-	(7,130,675)	353,30%	353,30%
Current Portion of Long-term Liabilities	-	-	-	-	-	-	4,702,175	-	4,702,175	804,01%	804,01%
Non-Current Liabilities	-	-	-	-	-	-	38,197,939	-	38,197,939	100,00%	100,00%
Long-term Liabilities	26,321,074	-	26,321,074	-	-	26,321,074	42,731,906	-	16,410,832	144,81%	144,81%
Retirement Benefits Liabilities	17,455,196	-	17,455,196	-	-	17,455,196	-	-	-	-	-
Non-current Provisions	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>75,414,871</b>	<b>2,400,000</b>	<b>77,814,871</b>	-	-	<b>77,814,871</b>	<b>155,922,663</b>	-	<b>78,107,792</b>	-	-
<b>Total Assets and Liabilities</b>	<b>972,971,437</b>	<b>(5,399,389)</b>	<b>967,572,048</b>	-	-	<b>967,572,048</b>	<b>810,241,808</b>	-	<b>(157,330,240)</b>	-	-
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	972,971,437	(5,399,389)	967,572,048	-	-	967,572,048	810,241,808	-	(157,330,240)	(83,73)%	(83,73)%
<b>Total Net Assets</b>	<b>972,971,437</b>	<b>(5,399,389)</b>	<b>967,572,048</b>	-	-	<b>967,572,048</b>	<b>810,241,808</b>	-	<b>(157,330,240)</b>	-	-

# **EMTHANJENI LOCAL MUNICIPALITY** **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

<b>Financial Position: Explanation of Variances between Approved Budget and Actual</b>	
<b>Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:</b>	
<b>Receivables from Exchange Transactions:</b>	
Similar to the previous financial year, management is attempting to enforce the Debt and Credit Collection Policy, resulting in a significant lower budgeted amount. The results were however not obtained. The increase however remains consistent with that of the previous year and a sufficient allowance for doubtful debt was provided for all doubtful consumer debtors, including Government Debt.	
<b>Receivables from Non-exchange Transactions:</b>	
The material variance is attributed to the recognition of all fines in accordance with GRAP 23. The budgeting process has not yet been adjusted to account for this increase.	
<b>Operating Lease Receivables:</b>	
The remaining Operating Lease Asset balance is immaterial and has therefore not been budgeted for.	
<b>Inventories</b>	
The reason for this fluctuation is due to a prior period error recognised in the 2017 financial year. This error had to effect that all properties earned as held for sale (inventory) were to be transferred to Investment Properties. The municipality could not foresee and thus budget for this.	
<b>Investment Properties</b>	
The reason for this fluctuation is due to a prior period error recognised in the 2017 financial year. This error had to effect that all properties earned as held for sale (inventory) were to be transferred to Investment Properties. The municipality could not foresee and thus budget for this.	
<b>Intangible Assets:</b>	
Due to the amortisation expense during the year. The Municipality planned to investment in Intangible Assets (purchases) during year, which did not occur.	
<b>Heritage Assets:</b>	
The transitional provisions of GRAP 103 ended in the previous year (i.e. 30 June 2015) and the Heritage Assets were valued and recorded in accordance with GRAP 3. Management has not yet adjusted the budget to take into account the balance.	
<b>Non-current Investments:</b>	
The remaining Non-current Investment balance is immaterial. Management budgeted to a significant increase in the value of these assets, which did not occur.	
<b>Long-term Receivables:</b>	
Loan (receivable) accounts at OVK. These loans were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.	
<b>Provisions:</b>	
An actual gain (as determined by the actuaries) resulted in the increase not meeting the expected growth (increase).	
<b>Payables from Exchange Transactions:</b>	
In relation to the outstanding balance at 30 June 2015, the Municipality's outstanding creditors are material higher due to Eskom being paid after year-end. This resulted in the material fluctuation	
<b>Payables from Non-exchange Transactions:</b>	
The Municipality did not budget for this line item as it is represented by Paid in Advance accounts.	
<b>Unspent Conditional Grants and Receipts:</b>	
Management anticipated all grant funding to be used for the specific purpose assigned. At year-end however, unspent MIG funding was still available which will be used for capital projects in the next financial year.	
<b>VAT Payable:</b>	
The Municipality did not budget for any VAT to be payable at year-end, but due to the fact that the Municipality is on the cash basis of accounting and all debtors were not recovered at year-end, a balance does exist.	
<b>Bank Overdraft:</b>	
At year-end, the Municipality paid the material portion of its outstanding creditors resulting in the Cash Balance being in overdraft.	
<b>Current Portion of Long-term Liabilities:</b>	
Please refer to the explanation provided under the 'Long-term Liabilities'.	
<b>Long-term Liabilities:</b>	
The Municipality planned to obtain a new loan to finance certain capital purchases. The loan was however not obtained during the year.	
<b>Redemption Benefit Liabilities:</b>	
The increase is attributable to the variables within the actuarial valuation, which increased resulting in higher than expected interest costs.	
<b>Non-current Provisions:</b>	
Although the Municipality did not budget for the Landfill Site Rehabilitation Provision, this is a requirement by the standards and was therefore included in the Financial Statements.	

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

2017

Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Shifting of Funds R	Virement R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Original Budget R	Actual Outcome as % of Final Budget R
<b>FINANCIAL PERFORMANCE</b>											
Revenue from Non-exchange Transactions											
Property Rates	30 665 305	-	30 665 305	-	-	30 665 305	30 751 648	-	86 343	0,28%	0,28%
Property Rates - Penalties imposed and collection charges	6 942 895	(4 061 000)	2 881 895	-	-	2 881 895	281 347	-	14 080 598	100,00%	100,00%
Fines	2 508 232	-	2 508 232	-	-	2 508 232	1 401 035	-	(1 067 197)	144,43%	488,87%
Licences and Permits	55 812 000	(3 627 000)	52 185 000	-	-	52 185 000	50 698 510	-	(1 486 490)	(42,55)%	(12,85)%
Government Grants and Subsidies Received											
Revenue from Exchange Transactions											
Service Charges	106 380 404	5 309 854	111 690 258	-	-	111 690 258	118 273 712	-	6 583 454	11,18%	5,89%
Rental of Facilities and Equipment	785 723	-	785 723	-	-	785 723	832 789	-	47 066	5,99%	5,99%
Interest Earned - External Investments	805 600	-	805 600	-	-	805 600	1 390 035	-	584 435	72,55%	72,55%
Interest Earned - Outstanding Debtors	954 090	-	954 090	-	-	954 090	882 201	-	(71 889)	(7,53)%	(7,53)%
Other Income	27 194 751	(600 000)	26 594 751	-	-	26 594 751	3 035 101	-	(23 559 650)	(88,84)%	(88,59)%
Gains on Other Operations											
Gains on Disposal of Property, Plant and Equipment	129 600	-	129 600	-	-	129 600	713 809	-	584 209	100,00%	100,00%
<b>Total Revenue</b>	<b>232 181 600</b>	<b>(2 978 146)</b>	<b>229 203 454</b>	<b>-</b>	<b>-</b>	<b>229 203 454</b>	<b>223 270 878</b>	<b>-</b>	<b>(5 932 576)</b>	<b>(2,56)%</b>	<b>(2,56)%</b>
<b>Expenditure</b>											
Employee Related Costs	69 837 719	(2 280 000)	67 557 719	-	-	67 557 719	68 489 476	-	931 757	1,38%	1,38%
Remuneration of Councilors	5 046 248	-	5 046 248	-	-	5 046 248	4 835 181	-	(211 067)	(4,18)%	(4,18)%
Collection Costs											
Depreciation and Amortisation	7 336 936	-	7 336 936	-	-	7 336 936	61 579 192	-	54 242 256	100,00%	100,00%
Impairment Losses	8 900 685	(1 460 000)	7 440 685	-	-	7 440 685	35 755 650	-	28 314 965	799,30%	799,30%
Repairs and Maintenance	16 770 984	-	16 770 984	-	-	16 770 984	10 328 840	-	(6 442 144)	(38,41)%	(38,41)%
Finance Costs	5 468 355	-	5 468 355	-	-	5 468 355	7 128 387	-	1 660 032	30,36%	30,36%
Bulk Purchases	57 122 623	-	57 122 623	-	-	57 122 623	59 027 026	-	1 904 403	3,33%	3,33%
Contracted Services	9 845 645	(1 963 350)	7 882 295	-	-	7 882 295	8 359 489	-	477 194	15,11%	15,11%
Grants and Subsidies Paid											
General Expenses	35 634 285	7 057 854	42 692 139	-	-	42 692 139	361 886	-	(36 330 253)	8DIV(0)	8DIV(0)
Loss on Disposal of Property, Plant and Equipment											
<b>Total Expenditure</b>	<b>215 985 680</b>	<b>1 354 504</b>	<b>217 340 184</b>	<b>-</b>	<b>-</b>	<b>217 340 184</b>	<b>281 357 245</b>	<b>-</b>	<b>64 039 361</b>	<b>(29,71)%</b>	<b>(29,71)%</b>
<b>Surplus (Deficit)</b>	<b>16 217 920</b>	<b>(4 332 650)</b>	<b>11 885 270</b>	<b>-</b>	<b>-</b>	<b>11 885 270</b>	<b>(56 086 366)</b>	<b>-</b>	<b>(67 972 136)</b>	<b>(445,83)%</b>	<b>(445,83)%</b>
<b>Surplus (Deficit) for the Year</b>	<b>16 217 920</b>	<b>(4 332 650)</b>	<b>11 885 270</b>	<b>-</b>	<b>-</b>	<b>11 885 270</b>	<b>(56 086 366)</b>	<b>-</b>	<b>(67 972 136)</b>	<b>(445,83)%</b>	<b>(445,83)%</b>

# **EMTHANJENI LOCAL MUNICIPALITY** **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

<b>Financial Performance: Explanation of Variances between Approved Budget and Actual</b>	
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:	
Property Rates - Penalties imposed and collection charges:	
The Property Rates - Penalties imposed and collection charges is budgeted for under Interest Received.	
Fines:	For the financial years presented, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend.
Licences and Permits:	The Municipality anticipated an increase in the revenue generated from motor registrations, but due to the fact that the Municipality does not have control over this revenue, it has over budgeted for it.
Rent of Facilities and Equipment:	The Municipality was able to generate more than the budgeted revenue through their rentals. This is due to the market demand, which increased, together with the annual increase in the tariffs.
Interest Earned - Outstanding Debtors:	As the number of debtors are increasing, the number of Consumers on whom interest are levied is decreasing.
Interest Earned - External Investments:	By way of Cash Management Procedures, management were able to generate more finance income through external investment then budgeted for.
Other Income:	The Municipality was not able to generate the desired revenue.
Gains on Other Operations:	Due to the fair value adjustment made to Non-current Investments which were not anticipated and budgeted for.
Gains on Disposal of Property, Plant and Equipment:	Management budgeted for a profit on sale of asset related items. This however to not realise due to the number of assets written off at yearend.
Collection Costs:	Due to the debt collection not being achieved as budgeted for, the collection costs paid did not achieve the budgeted expenditure. Collection costs are furthermore budgeted for as a General Expenditure, but separately disclosed for Financial Statement
Depreciation and Amortisation:	Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.
Repairs and Maintenance:	Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.
Finance Costs:	New finance leases were occurred during the financial year (which were not originally budgeted for) resulting in the overspenditure.
Contracted Services:	Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.
General Expenditure:	Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.
Loss on Disposal of Property, Plant and Equipment:	Management budgeted for a profit on sale of asset-related items. This however to not realise due to the number of assets written-off at yearend.

2017

Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Shifting of Funds R	Virement R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of	
										Original Budget R	Final Budget R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	137,474	-	137,474	-	-	137,474	14,829	-	(122,645)	(189,361)%	(89,361)%
Finance and Administration	1,735,482	-	1,735,482	-	-	1,735,482	37,590	-	(1,697,892)	(197,811)%	(197,811)%
Planning and Development	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Health	295,990	-	295,990	-	-	295,990	432,027	-	136,037	100,000%	100,000%
Community and Social Services	-	-	-	-	-	-	301,649	-	301,649	(54,041)%	45,96%
Housing	63,360	-	63,360	-	-	63,360	-	-	(63,360)	(200,000)%	(100,000)%
Sport and Recreation	75,000	-	75,000	-	-	75,000	-	-	(75,000)	(200,000)%	(100,000)%
Environmental Protection	1,009,922	-	1,009,922	-	-	1,009,922	9,504,076	-	(1,009,922)	(200,000)%	(100,000)%
Waste Management	4,199,769	-	4,199,769	-	-	4,199,769	-	-	5,394,307	28,309%	138,309%
Roads and Transport	7,822,250	(2,400,000)	5,422,250	-	-	5,422,250	-	-	(5,422,250)	(168,333)%	(100,000)%
Water	5,400,000	-	5,400,000	-	-	5,400,000	-	-	(5,400,000)	(200,000)%	(100,000)%
Electricity	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	<b>28,739,247</b>	<b>(2,400,000)</b>	<b>18,339,247</b>			<b>18,339,247</b>	<b>10,290,172</b>		<b>(8,049,075)</b>		

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

*Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual*  
The difference between the Actual and Budgeted Expenditure is due to the MUD Funds not being spent in full during the year.

2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
<b>CASH FLOW</b>											
Cash Flows from(used in) Operating Activities											
Property Rates	27,998,818	-	27,998,818	-	-	27,998,818	22,851,095	-	(5,147,723)	(18.39)%	(18.39)%
Grants	55,012,000	(3,627,000)	52,185,000	-	-	52,185,000	49,559,656	-	(2,625,344)	(11.20)%	(5.03)%
Service Charges	99,501,844	(3,055,433)	96,846,201	-	-	96,846,201	102,246,868	-	5,400,667	2.35%	5.58%
Interest Received	853,800	-	853,800	-	-	853,800	2,272,235	-	1,466,635	182.06%	182.06%
Other Receipts	34,853,888	(550,000)	34,403,888	-	-	34,403,888	9,810,808	-	(24,593,079)	(71.53)%	(71.48)%
Employee Related Costs	(67,691,176)	851,154	(66,840,016)	-	-	(66,840,016)	(71,822,294)	-	(4,982,278)	6.10%	7.45%
Remuneration of Councillors	(5,947,608)	-	(5,947,608)	-	-	(5,947,608)	(4,835,161)	-	1,112,445	(2.27)%	(2.27)%
Interest Paid	(5,468,355)	-	(5,468,355)	-	-	(5,468,355)	(3,364,773)	-	2,103,582	(38.47)%	(38.47)%
Suppliers Paid	(117,474,678)	(5,094,504)	(122,569,182)	-	-	(122,569,182)	(118,661,872)	-	3,907,509	1.01%	(3.19)%
Other Payments	-	-	-	-	-	-	22,739,782	-	22,739,782	(100.00)%	(100.00)%
Cash Flows from(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(20,739,247)	2,400,000	(18,339,247)	-	-	(18,339,247)	(22,065,484)	-	(3,726,237)	6.39%	20.32%
Purchase of Intangible Assets	-	-	-	-	-	-	(15,635)	-	(15,635)	(100.00)%	(100.00)%
Proceeds on Disposal of Property, Plant and Equipment	129,600	-	129,600	-	-	129,600	96,366	-	(33,232)	(25.64)%	(25.64)%
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	(120)	-	(120)	404101	404101
Cash Flows from(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	9,497,458	-	9,497,458	404101	404101
Loans repaid	(687,608)	-	(687,608)	-	-	(687,608)	(3,046,258)	-	(2,358,650)	343.02%	343.02%
Increase / (Decrease) in Consumer Deposits	97,700	-	97,700	-	-	97,700	-	-	(97,700)	(100.00)%	(100.00)%
Cash and Cash Equivalents at End of the Year	2,680,583	(8,075,713)	(5,395,130)	-	-	(5,395,130)	(4,737,448)	-	1,648,061	-	-
<b>Cash Flow: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
Management implemented cost saving procedures, resulting in less expenditure incurred (see Contracted Services, Repairs and Maintenance and General Expenditure) and more funds being generated.											



**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

**RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:**

Description	2018 R	2017 R
<b>Net Surplus/(Deficit) per the Statement of Financial Performance</b>	<b>(41,485,535)</b>	<b>(55,086,866)</b>
Revenue from Non-exchange Transactions		
Property Rates	(4,027,601)	(86,313)
Property Rates - Penalties imposed and collection charges	(381,429)	(281,247)
Fines	(5,481,881)	(11,088,586)
Licences and Permits	240,001	1,067,187
Government Grants and Subsidies Received	4,847,728	1,486,480
Revenue from Exchange Transactions		
Service Charges	(522,286)	(6,580,454)
Rental of Facilities and Equipment	(62,445)	(47,065)
Interest Earned - External Investments	(537,180)	(584,435)
Interest Earned - Outstanding Debtors	166,232	71,869
Other Revenue	18,525,904	23,559,650
Gains on Other Operations	(2,725)	(713,809)
Gains on Disposal of Property, Plant and Equipment	268,000	129,600
Profit on Sale of Land		
Expenditure		
Employee Related Costs	312,612	831,757
Remuneration of Councilors	(15,616)	(211,087)
Collection Costs	3,304	174,499
Depreciation and Amortisation	53,699,692	54,242,256
Impairment Losses	18,353,569	28,314,975
Repairs and Maintenance	(7,454,038)	(6,442,144)
Finance Costs	5,970,451	1,660,032
Bulk Purchases	(496,690)	1,904,403
Contracted Services	(2,857,982)	475,954
Grants and Subsidies Paid	516,112	361,886
General Expenses	(17,430,994)	(17,646,290)
Loss on Disposal of Property, Plant and Equipment	349,572	273,079
Loss on Disposal of Land	1,595,000	-
<b>Net Surplus/Deficit per Approved Budget</b>	<b>23,346,502</b>	<b>11,885,270</b>

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

##### 1.1 Changes in Accounting Policy And Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2018 and 30 June 2017, the Municipality has adopted the accounting framework as set out in point

The Municipality changes an Accounting Policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

##### 1.2 Critical Judgements, Estimations And Assumptions

In the application of the Municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

##### 1.2.1 Revenue Recognition

Accounting Policy 13.2 on Revenue from Exchange Transactions and Accounting Policy 13.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

##### 1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on Financial Assets Classification and Accounting Policy 9.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the Municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

##### 1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

##### 1.2.4 Useful lives of Property, Plant and Equipment, Intangible assets, Investment property and Heritage assets

As described in Accounting Policies 3.1, 5.2 and 6.2 the Municipality depreciates its property, plant and equipment, investment property, heritage assets and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 1. BASIS OF PRESENTATION (continued)

##### *1.2.5 Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories*

Accounting Policy 8 on Impairment of assets Accounting Policy 11.2 on Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the Municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21, Impairment of non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and Intangible assets and the Net Realisable Value for inventories involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 10 to the AFS, whilst no impairments were made to Intangible assets or Inventory.

##### *1.2.6 Water inventory*

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 2 of the accounting policy to the Annual Financial Statements.

##### *1.2.7 Defined Benefit Plan Liabilities*

As described in Accounting Policy 13, the Municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the Municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25, Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 21 to the Annual Financial Statements.

**EMTHANJENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**1.2.9 Provisions and contingent liabilities**

**Provision for Rehabilitation of Refuse Landfill Sites**

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 9.51% (2017: 9.51%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 9.51% (2017: 9.51%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 9.51% (2017: 9.51%).

**1.2.9 Budget Information**

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

**1.3 Presentation Currency**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

**1.4 Going Concern Assumption**

The Annual Financial Statements have been prepared on a going concern basis.

**1.5 Offsetting**

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of

**1.6 Standards, Amendments To Standards And Interpretations Issued but not yet effective**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

GRAP 18 Segment Reporting - Issued March 2005  
 GRAP 20 Related Party Disclosures (Revised)  
 GRAP 32 Service Concession Arrangement Grantor  
 GRAP 35 Consolidated Financial Statements  
 GRAP 36 Investments In Associates and Joint Ventures  
 GRAP 37 Joint Arrangements  
 GRAP 38 Disclosure of Interests in Other Entities  
 GRAP 108 Statutory Receivables  
 GRAP 109 Accounting by Principals and Agents  
 GRAP 110 Living and Non-Living Resources  
 IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset  
 IGRAP 18 Recognition and Derecognition of Land  
 IGRAP 19 Liabilities to Pay Levies

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 1. BASIS OF PRESENTATION (continued)

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these

Related Parties - GRAP 20

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the Municipality.

#### 2. NETT ASSETS

Included in the nett assets of the Municipality, are the following reserves that are maintained in terms of specific requirements:

##### 2.1.1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.

Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 3. PROPERTY, PLANT AND EQUIPMENT

##### 3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the asset is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### 3. PROPERTY, PLANT AND EQUIPMENT (continued)

##### 3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated

Subsequent to initial recognition property, plant and equipment are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of property, plant and equipment as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to the Statement of Changes in Net Assets.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

**EMTHANJENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**3.3 Depreciation**

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
<b>Infrastructure</b>		<b>Buildings</b>	<b>30 - 100</b>
Roads and Paving	45 - 50		
Electricity	45 - 50	<b>Other</b>	
Water	15 - 100	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
Landfill Sites	10 - 65	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
<b>Community</b>		Watercraft	15
Recreational Facilities	15 - 60	Bins and Containers	5
Security	5	Specialised Plant and Equipment	10 - 15
		Other Items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

**3.4 Incomplete Construction Work**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

**3.5 Finance Leases**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term.

**3.6 Land**

Land is not depreciated as it is deemed to have an indefinite useful life.

**3.7 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the Municipality in terms of the asset management policy.

**3.8 Derecognition of property, plant and equipment**

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

**EMTHANJENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**4. HERITAGE ASSETS**

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

**4.1 Initial Recognition**

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

**4.2 Subsequent Measurement**

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

**4.3 Derecognition of Heritage assets**

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

**5. INTANGIBLE ASSETS**

**5.1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:



## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 5. INTANGIBLE ASSETS (continued)

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### 5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	3

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, as per Accounting Policy 8, *Impairment of assets*. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

#### 5.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 6. INVESTMENT PROPERTY

##### 6.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

#### 6. INVESTMENT PROPERTY (continued)

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties; and
- Property that is being constructed or developed for future use as investment property.

##### 6.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

##### 6.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

#### 7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

**EMTHANJENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**7.1 Impairment of Cash generating assets**

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

**7.2 Impairment of Non-Cash generating assets**

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 7. IMPAIRMENT OF ASSETS (continued)

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

(i) to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

#### 8. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The Municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

##### Initial recognition

##### 8.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

**EMTHANJENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**8. FINANCIAL INSTRUMENTS (continued)**

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Long-term Investments	Financial asset at fair value
Investment in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

**8.2 Financial Liabilities - Classification**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- Financial Liabilities measured at fair value or
- Financial Liabilities measured at amortised cost
- Financial Liabilities measured at cost

The Municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long-term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank Overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current Portion of Long-term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**8.3 Initial and Subsequent Measurement**

**8.3.1 Financial Assets:**

*Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.*

*Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.*

Fair value methods and assumptions

**8.3.2 Financial Liabilities:**

**Financial liabilities measured at fair value**

Financial liabilities measured at fair value are stated at fair value, with any resultant gain or loss recognised in the Statement of Financial Performance.

**Financial Liabilities measured at amortised cost**

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

**EMTHANJENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**8. FINANCIAL INSTRUMENTS (continued)**

**8.4 Impairment of Financial Assets**

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

**Financial assets carried at amortised cost**

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

**Impairment of Financial Assets measured at cost**

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

**8.5 Derecognition of Financial Assets**

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**8.6 Derecognition of Financial Liabilities**

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

**9. INVENTORIES**

**9.1 Initial Recognition**

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 9. INVENTORIES (continued)

##### 9.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). The cost is determined using the weighted average cost of commodities.

##### Water inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and is therefore not recognised in the Statement of Financial Position.

##### Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a FIFO cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

##### Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

#### 11. REVENUE RECOGNITION

##### 11.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

#### 11. REVENUE RECOGNITION (continued)

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered, goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

**EMTHANJENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**11.2 Revenue from Exchange Transactions**

**11.2.1 Service Charges**

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

**11.2.2 Pre-paid Electricity**

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

**11.2.3 Finance Income**

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

**11.2.4 Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

**11.2.5 Income from Agency Services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

**11.2.6 Sale of Goods (including Houses)**

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**11.2.7 Rentals**

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

**11.2.8 Dividends**

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

**11.3 Revenue from Non-exchange Transactions**

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.



## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 11. REVENUE RECOGNITION (continued)

##### 11.3.1 Rates And Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

##### 11.3.2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

##### 11.3.3 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

##### Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

##### 11.3.4 Revenue From Recovery of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, 2003 (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### 12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

##### Environmental rehabilitation provisions

Estimated long term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

**EMTHANJENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**13. EMPLOYEE BENEFITS**

**13.1 Short-Term Employee Benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The Municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

**13.2 Post-Employment Benefits**

The Municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

**13.2.1 Defined Contribution Plans**

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**13.2.2 Defined Benefit Plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

**13.3 Post-Retirement Health Care Benefits:**

The Municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

**13.4 Long-Service Allowance**

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

**13.5 Defined Benefit Pension Plans**

The Municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

The Municipality changed its accounting policy from IAS 19 to GRAP 25 with no effect on the financial information disclosed previously.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 14. LEASES

##### Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

##### 14.1 The Municipality As Lessee

###### Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

###### Operating leases

The Municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### 14.2 The Municipality As Lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight line basis over the term of the relevant lease.

##### 14.3 Determining Whether An Arrangement Contains A Lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

#### 15. BORROWING COSTS

The Municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The Municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

#### 16. GRANTS-IN-AID

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

**EMTHANJENI LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**17. VALUE ADDED TAX**

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax, 1991 (Act No. 89 of 1991).

**18. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

**19. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Municipal Systems Act, 2000 (Act No. 32 of 2000) and the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**20. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

**21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 40 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 41 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

**22. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercises significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The Municipality changed its accounting policy from IPSAS 20 to GRAP 20 with no effect on the financial information disclosed.

**23. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.



## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 24. COMPARATIVE INFORMATION

##### 24.1 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

##### 24.2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2017 to 30 June 2018.

#### 25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial

#### 26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

#### 27. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>1. GENERAL INFORMATION</b>		
<p>Emthanjeni Municipality (the Municipality) is a local government institution in the Aar Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley ka Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the Municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p>		
<b>2. INVENTORIES</b>		
Consumable Stores	426 746	422 355
Property Stock	-	-
Water - at cost	27 112	29 534
<b>Total Inventories</b>	<b>453 858</b>	<b>451 789</b>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R1.0739 per kilolitre (2017: R1.0077 per kilolitre).

No inventory was written off during the year. The cost of inventories recognised as an expense during the period was R450 991 (2017: R450 991).

No inventories have been pledged as collateral for liabilities of the Municipality.

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2018</b>			
Service Debtors:	148 322 411	(90 852 112)	57 470 298
Electricity	25 715 653	(13 036 504)	12 679 149
Refuse	17 464 360	(12 836 311)	4 628 049
Town Commonage	3 504 194	(3 477 902)	26 292
Rental of municipal buildings	1 479 151	(1 402 790)	76 361
Sewerage	34 258 668	(23 822 995)	10 435 673
Water	65 900 286	(36 275 610)	29 624 777
Other Receivables	395 561	(316 485)	79 077
<b>Total Receivables from Exchange Transactions</b>	<b>148 717 992</b>	<b>(91 170 597)</b>	<b>57 547 395</b>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2017</b>			
Service Debtors:	128 456 676	(82 547 355)	45 909 320
Electricity	24 069 960	(13 157 427)	10 912 533
Refuse	14 756 615	(9 890 798)	4 865 818
Town Commonage	3 107 633	(3 052 050)	55 583
Rental of municipal buildings	1 228 274	(1 168 206)	60 068
Sewerage	29 184 352	(19 851 017)	9 333 335
Water	56 109 822	(35 427 857)	20 681 965
Other Receivables	367 038	(297 527)	69 511
<b>Total Receivables from Exchange Transactions</b>	<b>129 843 714</b>	<b>(82 844 882)</b>	<b>46 998 831</b>

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2018, the Municipality is owed R3 915 667 (30 June 2017: R4 138 884) by National and Provincial Government.

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
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2017  
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**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)**

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

**3.1 Ageing of Receivables from Exchange Transactions**

As at 30 June 2018

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	5 678 424	972 817	793 698	18 270 714	25 715 653
Less: Provision for Impairment	(1 035 753)	(390 683)	(366 541)	(11 243 527)	(13 036 504)
<b>Net Balances</b>	<b>4 642 671</b>	<b>582 134</b>	<b>427 157</b>	<b>7 027 187</b>	<b>12 679 149</b>
<b>Refuse:</b>					
Gross Balances	488 876	331 987	313 242	16 330 254	17 464 360
Less: Provision for Impairment	(209 456)	(266 002)	(259 162)	(12 101 691)	(12 836 311)
<b>Net Balances</b>	<b>279 420</b>	<b>65 985</b>	<b>54 080</b>	<b>4 228 564</b>	<b>4 628 049</b>
<b>Sewerage:</b>					
Gross Balances	923 323	656 106	603 239	32 075 998	34 258 666
Less: Provision for Impairment	(401 419)	(450 081)	(426 073)	(22 543 422)	(23 822 995)
<b>Net Balances</b>	<b>521 904</b>	<b>206 025</b>	<b>177 166</b>	<b>9 532 576</b>	<b>10 436 671</b>
<b>Water:</b>					
Gross Balances	2 782 302	1 270 050	1 445 327	60 402 707	65 900 387
Less: Provision for Impairment	(577 672)	(705 845)	(764 169)	(34 227 923)	(36 275 610)
<b>Net Balances</b>	<b>2 204 630</b>	<b>564 205</b>	<b>681 158</b>	<b>26 174 783</b>	<b>29 624 777</b>
<b>Town Commonage</b>					
Gross Balances	33 616	33 616	35 946	3 401 016	3 504 194
Less: Provision for Impairment	(33 410)	(33 410)	(35 740)	(3 375 343)	(3 477 902)
<b>Net Balances</b>	<b>206</b>	<b>206</b>	<b>206</b>	<b>25 672</b>	<b>26 292</b>
<b>Rental of municipal buildings</b>					
Gross Balances	72 305	35 041	23 247	1 348 558	1 479 151
Less: Provision for Impairment	(33 285)	(21 812)	(20 433)	(1 327 460)	(1 402 790)
<b>Net Balances</b>	<b>39 021</b>	<b>13 229</b>	<b>2 814</b>	<b>21 098</b>	<b>76 361</b>
<b>Other Receivables:</b>					
Gross Balances	21 921	8 365	6 273	359 024	395 581
Less: Provision for Impairment	(5 091)	(4 596)	(4 172)	(304 623)	(318 485)
<b>Net Balances</b>	<b>16 829</b>	<b>3 769</b>	<b>2 100</b>	<b>54 401</b>	<b>77 097</b>

As at 30 June Receivables of R49 842 714 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	3 307 982	3 220 972	132 188 271	138 717 224
Less: Provision for Impairment	(1 872 231)	(1 878 291)	(85 123 989)	(88 874 511)
<b>Net Balances</b>	<b>1 435 751</b>	<b>1 342 682</b>	<b>47 064 281</b>	<b>49 842 714</b>

As at 30 June 2017

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	6 662 213	709 064	602 250	16 076 453	24 049 980
Less: Provision for Impairment	(720 040)	(354 131)	(305 750)	(11 777 506)	(13 157 426)
<b>Net Balances</b>	<b>5 942 173</b>	<b>354 933</b>	<b>296 499</b>	<b>4 298 947</b>	<b>10 912 553</b>
<b>Refuse:</b>					
Gross Balances	427 094	227 679	208 885	13 892 757	14 756 815
Less: Provision for Impairment	(161 952)	(169 974)	(162 932)	(9 395 940)	(9 890 798)
<b>Net Balances</b>	<b>265 142</b>	<b>60 705</b>	<b>45 953</b>	<b>4 496 817</b>	<b>4 868 617</b>



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
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**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Sewerage:</b>					
Gross Balances	678,618	497,099	456,438	27,352,197	29,184,352
Less: Provision for Impairment	(374,236)	(259,053)	(343,941)	(16,773,787)	(19,851,018)
<b>Net Balances</b>	<b>304,382</b>	<b>238,046</b>	<b>112,497</b>	<b>10,578,410</b>	<b>9,333,335</b>
<b>Water:</b>					
Gross Balances	2,613,110	1,198,364	1,133,939	51,164,408	56,109,822
Less: Provision for Impairment	(601,044)	(722,452)	(742,284)	(33,282,077)	(35,427,857)
<b>Net Balances</b>	<b>2,012,066</b>	<b>475,912</b>	<b>391,655</b>	<b>17,882,332</b>	<b>20,681,965</b>
<b>Town Commonage</b>					
Gross Balances	35,109	33,324	34,774	3,004,426	3,107,633
Less: Provision for Impairment	(33,688)	(32,818)	(33,543)	(2,952,000)	(3,052,050)
<b>Net Balances</b>	<b>1,422</b>	<b>606</b>	<b>1,230</b>	<b>62,426</b>	<b>65,583</b>
<b>Rental of municipal buildings</b>					
Gross Balances	73,757	26,323	24,260	1,103,933	1,228,274
Less: Provision for Impairment	(39,812)	(22,564)	(22,151)	(1,063,678)	(1,188,206)
<b>Net Balances</b>	<b>33,945</b>	<b>3,759</b>	<b>2,109</b>	<b>20,255</b>	<b>60,068</b>
<b>Other Receivables:</b>					
Gross Balances	20,405	7,393	32,708	326,534	387,038
Less: Provision for Impairment	(7,294)	(4,328)	(23,529)	(262,376)	(297,527)
<b>Net Balances</b>	<b>13,111</b>	<b>3,064</b>	<b>9,177</b>	<b>64,158</b>	<b>89,511</b>

As at 30 June Receivables of R37 286 589 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	2,699,445.46	2,493,252.30	112,920,709.46	118,113,407.22
Less: Provision for Impairment	(1,665,321)	(1,634,132)	(77,527,385)	(80,826,817.96)
<b>Net Balances</b>	<b>1,034,125</b>	<b>859,121</b>	<b>35,393,344</b>	<b>37,286,589</b>

**3.2 Summary of Receivables from Exchange Transactions by Customer Classification**

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
<b>As at 30 June 2018</b>				
<u>Current:</u>				
0 - 30 days	7,742,613	1,617,007	641,147	-
<u>Past Due:</u>				
31 - 60 Days	2,550,270	432,667	325,025	-
61 - 90 Days	2,576,499	362,791	261,682	-
+ 90 Days	125,421,600	4,098,658	2,667,813	-
Sub-total	138,290,982	6,511,343	3,915,667	-
Less: Provision for Impairment	(87,441,780)	(3,726,817)	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>50,849,202</b>	<b>2,784,526</b>	<b>3,915,667</b>	<b>-</b>
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
<b>As at 30 June 2017</b>				
<u>Current:</u>				
0 - 30 days	7,127,254	2,033,041	1,570,012	-
<u>Past Due:</u>				
31 - 60 Days	1,994,360	484,498	220,588	-
61 - 90 Days	1,906,817	425,655	160,580	-
+ 90 Days	106,169,146	4,563,659	2,187,704	-
Sub-total	117,197,577	7,507,253	4,138,884	-
Less: Provision for Impairment	(77,935,512)	(4,909,371)	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>39,262,065</b>	<b>2,597,882</b>	<b>4,138,884</b>	<b>-</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)</b>		
<b>3.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	(82,844,882)	(54,777,207)
Impairment Losses recognised	(8,325,715)	(18,067,675)
Impairment Losses reversed	-	-
<b>Balance at end of year</b>	<b>(91,170,597)</b>	<b>(72,844,882)</b>

In determining the recoverability of Receivables, the Municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

Included in the Municipality's Receivables balance are debtors with a carrying amount of R49 842 714 (2017: R37 286 589) which are past due at the reporting date for which the Municipality has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Municipality holds collateral over these balances in the form of Consumer Deposits (see Note 13), which are not covering the total outstanding debt. The average age of these receivables is 155 days (2017: 128 days).

No provision has been made in respect of Government Debt as these amounts are considered to be fully recoverable. The Municipality holds collateral over these balances in the form of Consumer Deposits, which are not covering the total outstanding debt and vacant property respectively.

**3.4 Ageing of Impaired Receivables from Exchange Transactions**

<b>Current:</b>		
0 - 30 Days	2,229,392	1,944,568
<b>Past Due:</b>		
31 - 60 Days	1,872,231	1,665,321
61 - 90 Days	1,878,291	1,634,132
+ 90 Days	85,123,989	77,527,365
<b>Total</b>	<b>81,103,903</b>	<b>82,771,386</b>

**3.5 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2018</b>			
Assessment Rates Debtors	41 291,465	(35,565,794)	5,725,672
Payments made in Advance	-	-	-
Sundry Deposits	980,695	-	980,695
Sundry Debtors	96 282,115	(88 900,965)	7,381,150
<b>Total Receivables from Non-exchange Transactions</b>	<b>138,554,275</b>	<b>(124,466,759)</b>	<b>14,087,517</b>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2017</b>			
Assessment Rates Debtors	33 587,342	(27,037,852)	6,550,231
Payments made in Advance	-	-	-
Sundry Deposits	985,765	-	985,765
Sundry Debtors	88 935,564	(79 580,454)	9,355,110
<b>Total Receivables from Non-exchange Transactions</b>	<b>123,508,671</b>	<b>(106,617,506)</b>	<b>16,891,165</b>

Sundry Deposits are in respect of cash deposits made to Eskom for the supply of electricity and cash deposits made to various fuel stations. Included in the total is an amount of R900 000 (2017: R900 000) in respect of a deposit paid to Eskom. The remaining R80 695 is with regards to deposits held by fuel stations.

Sundry Debtors are in respect of debts outstanding at year-end on normal business transactions entered into by the Municipality. Included in sundry debtors is an amount of R96 217 986 for gross traffic fines outstanding as well R88 900 965 impairment on these fines.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
R

2017  
R

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)**

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the Municipality's banker, plus one percent per annum on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

**4.1 Ageing of Receivables from Non-exchange Transactions**

As at 30 June 2018

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	1,239,454	661,701	563,681	36,826,630	41,291,466
Less: Provision for Impairment	(391,153)	(411,504)	(372,575)	(34,390,562)	(35,565,794)
<b>Net Balances</b>	<b>848,301</b>	<b>250,197</b>	<b>191,106</b>	<b>6,436,068</b>	<b>9,725,672</b>
<b>Payments made in Advance:</b>					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sundry Deposits:</b>					
Gross Balances	-	-	-	960,695	960,695
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>960,695</b>	<b>960,695</b>
<b>Sundry Debtors:</b>					
Gross Balances	-	-	-	96,282,115	96,282,115
Less: Provision for Impairment	-	-	-	(88,900,965)	(88,900,965)
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,381,150</b>	<b>7,381,150</b>

As at 30 June Receivables of R14 364 724 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	661,701	563,681	136,069,440	137,234,822
Less: Provision for Impairment	(411,504)	(372,575)	(123,291,527)	(124,075,606)
<b>Net Balances</b>	<b>250,197</b>	<b>191,106</b>	<b>12,777,913</b>	<b>13,239,216</b>

As at 30 June 2017

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	1,014,371	370,014	333,352	31,869,605	33,587,342
Less: Provision for Impairment	(213,050)	(161,696)	(168,496)	(26,473,809)	(27,037,052)
<b>Net Balances</b>	<b>801,321</b>	<b>208,318</b>	<b>164,856</b>	<b>5,395,796</b>	<b>9,569,291</b>
<b>Payments made in Advance:</b>					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
R

2017  
R

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Sundry Deposits:</b>					
Gross Balances	-	-	-	965 765	965 765
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	-	-	-	965 765	965 765
<b>Sundry Debtors:</b>					
Gross Balances	214 895	-	-	88 720 869	88 935 564
Less: Provision for Impairment	-	-	-	(79 580 454)	(79 580 454)
<b>Net Balances</b>	214 895	-	-	9 140 215	9 355 110

As at 30 June Receivables of R15 874 950 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	370 014	333 352	121 576 039	122 279 405
Less: Provision for Impairment	(181 696)	(168 496)	(106 054 283)	(106 404 455)
<b>Net Balances</b>	188 318	164 856	15 521 778	15 874 950

**4.2 Summary of Assessment Rates Debtors by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2018</b>				
<u>Current:</u>				
0 - 30 days	1 084 252	58 162	97 040	-
<u>Past Due:</u>				
31 - 60 Days	542 725	37 398	81 578	-
61 - 90 Days	449 509	32 628	81 544	-
+ 90 Days	35 239 201	958 401	2 629 028	-
Sub-total	37 315 686	1 086 589	2 889 190	-
Less: Provision for Impairment	(34 744 542)	(821 252)	-	-
<b>Total Rates Debtors by Customer Classification</b>	<b>2 571 144</b>	<b>265 337</b>	<b>2 889 190</b>	<b>-</b>

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2017</b>				
<u>Current:</u>				
0 - 30 days	760 035	104 663	149 673	-
<u>Past Due:</u>				
31 - 60 Days	219 145	28 197	122 672	-
61 - 90 Days	189 912	20 769	122 672	-
+ 90 Days	26 962 613	1 113 570	3 793 422	-
Sub-total	28 131 705	1 267 199	4 186 438	-
Less: Provision for Impairment	(28 039 024)	(998 028)	-	-
<b>Total Rates Debtors by Customer Classification</b>	<b>2 092 681</b>	<b>269 171</b>	<b>4 186 438</b>	<b>-</b>

**4.3 Reconciliation of Provision for Impairment**

Balance at beginning of year	(106 617 505)	(87 545 484)
Impairment Losses recognised	(17 849 253)	(19 072 022)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
<b>Balance at end of year</b>	<b>(124 466 758)</b>	<b>(106 617 505)</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)</b>		
<p>The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.</p> <p>In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the Municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.</p> <p>No Provision for Impairment has been made in respect of Government Debt as these amounts are considered to be fully recoverable. The Municipality holds collateral over these balances in the form of Rates Assessment Deposits, which are not covering the total outstanding debt and vacant property respectively.</p> <p>Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.</p>		
<b>5. CASH AND CASH EQUIVALENTS</b>		
Current Investments	12,549,215	9,687,754
Bank Accounts	274,347	1,012,139
Bank Overdraft	(9,882,893)	(7,918,255)
<b>Total Bank, Cash and Cash Equivalents</b>	<b>2,940,669</b>	<b>2,781,637</b>
<p>For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.</p>		
<b>5.1 Current Investment Deposits</b>		
Term Deposits	8,482,603	9,610,662
Call Deposits	4,066,612	77,092
<b>Total Current Investment Deposits</b>	<b>12,549,215</b>	<b>9,687,754</b>
<p>Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 1.60% to 5.55% per annum.</p> <p>Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 1.50% to 7.25% per annum.</p>		
Deposits attributable to Unspent Conditional Grants	5,934,870	3,857,622
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b>5,934,870</b>	<b>3,857,622</b>
<p>Deposits of R5 934 870 (2017: R3 857 622) are ring-fenced and attributable to Unspent Conditional Grants.</p>		
<b>5.2 Bank Accounts</b>		
Cash in Bank	274,347	1,012,139
Bank Overdraft	(9,882,893)	(7,918,255)
<b>Total Bank Accounts</b>	<b>(9,608,546)</b>	<b>(6,906,117)</b>
<p>The Municipality has the following bank accounts:</p>		
Primary Bank Account		
ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0081		
Cash book balance at beginning of year	(7,918,255)	(7,320,915)
Cash book balance at end of year	(9,882,893)	(7,918,255)
Bank statement balance at beginning of year	3,325,589	(1,878,735)
Bank statement balance at end of year	437,253	3,325,589

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>5. CASH AND CASH EQUIVALENTS (continued)</b>		
<b>Current Accounts</b>		
<i>Standard Bank of SA Limited - De Aar Branch - Cheque Account Number 2803 50007</i>		
Cash book balance at beginning of year	130 028	51 495
Cash book balance at end of year	224 487	130 028
Bank statement balance at beginning of year	130 028	51 495
Bank statement balance at end of year	224 487	130 028
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4081 885 162</i>		
Cash book balance at beginning of year	(171,360)	86,773
Cash book balance at end of year	30 283	(171,360)
Bank statement balance at beginning of year	(117 732)	86,773
Bank statement balance at end of year	30 283	(117,732)
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4081 497 012</i>		
Cash book balance at beginning of year	1,053 471	88,176
Cash book balance at end of year	19 597	1 053 471
Bank statement balance at beginning of year	1,043 787	428,715
Bank statement balance at end of year	19 597	1 043 787
<b>Term Deposits</b>		
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 082 198 908</i>		
Cash book balance at beginning of year	9 583 735	12,155,762
Cash book balance at end of year	8 483 785	9 583,735
Bank statement balance at beginning of year	9 583 735	12,155,762
Bank statement balance at end of year	8 483 785	9 583 735
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 068 494 239</i>		
Cash book balance at beginning of year	16 927	16,074
Cash book balance at end of year	18 617	18 927
Bank statement balance at beginning of year	16 074	16,074
Bank statement balance at end of year	18 617	16 074
<b>Call Deposits</b>		
<i>First National Bank - De Aar Branch - Call Account Number 62338612105 / 808</i>		
Cash book balance at beginning of year	2 592	2,487
Cash book balance at end of year	2 344	2 592
Bank statement balance at beginning of year	2 487	2,487
Bank statement balance at end of year	2 344	2 487
<i>Nedbank Ltd - De Aar Branch - Call Account Number 03/7662022900/000001</i>		
Cash book balance at beginning of year	42,634	1,425,470
Cash book balance at end of year	144 054	42,634
Bank statement balance at beginning of year	1,425,470	1,425,470
Bank statement balance at end of year	142 156	1 425 470
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 388910356-002</i>		
Cash book balance at beginning of year	24 385	1,035,740
Cash book balance at end of year	26 007	24,385
Bank statement balance at beginning of year	1,035,740	1,035,740
Bank statement balance at end of year	26 007	1 035 740
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 002</i>		
Cash book balance at beginning of year	50	50
Cash book balance at end of year	50	50
Bank statement balance at beginning of year	50	50
Bank statement balance at end of year	50	50

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>5. CASH AND CASH EQUIVALENTS (continued)</b>		
<i>First National Bank - De Aar Branch - Call Account Number 62620879221</i>		
Cash book balance at beginning of year	7 452	-
Cash book balance at end of year	<u>7 582</u>	<u>7 452</u>
Bank statement balance at beginning of year	7 452	-
Bank statement balance at end of year	<u>7 582</u>	<u>7 452</u>
<i>First National Bank - De Aar Branch - Call Account Number 62746296616</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>76 278</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>76 278</u>	<u>-</u>
<i>First National Bank - De Aar Branch - Call Account Number 62755965583</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>45 911</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>45 911</u>	<u>-</u>
<i>ABSA Bank Limited Call Deposit Account Number 9325381089</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>3 764 405</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>3 764 405</u>	<u>-</u>
<b>5.3 Cash and Cash Equivalents</b>		
Cash Floats and Advances	2 690	2 600
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<u><b>2 690</b></u>	<u><b>2 600</b></u>

The Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

The Municipality has provided Eskom Holdings Limited with a written guarantee, which have special conditions attached, to the value of R6 180 000.

The management of the Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

**6. OPERATING LEASE RECEIVABLES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	12 015	13 720
Operating Lease Revenue recorded	-	(1 714)
Operating Lease Revenue effected	-	-
<b>Total Operating Lease Receivables</b>	<u><b>12 015</b></u>	<u><b>12 015</b></u>
Less: Amounts due for settlement within 12 months (Current Portion)	(4 542)	(4 542)
<b>Total Operating Lease Receivables</b>	<u><b>7 473</b></u>	<u><b>7 473</b></u>

**6.1 Leasing Arrangements**

The Municipality as Lessor:

Operating Leases relate to Property owned by the Municipality with lease terms of between 2 to 5 (2017: 2 to 5) years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

**6.2 Amounts receivable under Operating Leases**

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	4 542	4 542
2 to 5 years	7 473	7 473
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	<u><b>12 015</b></u>	<u><b>12 015</b></u>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R1 714 (2017: decrease of R1 714) in current year income.

The following restrictions have been imposed by the Municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let,
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**7. PROPERTY, PLANT AND EQUIPMENT**

30 June 2018

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infrastructure Assets	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2017	113,162,128	675,160,021	530,480	2,666,438	2,851,877	4,716,357	7,387,428	806,483,501
Cost	219,404,418	1,923,228,777	2,424,667	8,272,632	7,709,994	8,783,818	10,653,629	2,180,477,935
- Completed Assets	219,169,418	1,901,261,046	2,424,667	8,272,632	7,709,994	8,783,818	10,653,629	2,158,275,204
- Under Construction	235,000	21,967,731	-	-	-	-	-	22,202,731
Accumulated Impairment Losses	-	-	(15,308)	(47,864)	(18,877)	(553,876)	-	(635,725)
Accumulated Depreciation	(106,242,289)	(1,248,060,756)	(1,878,870)	(5,558,330)	(4,839,240)	(3,513,785)	(3,266,203)	(1,373,359,473)
Acquisitions	-	29,566,964	778,891	158,598	36,025	604,706	44,643	31,191,827
Capital under Construction - Additions	-	666,359	-	-	-	-	-	666,359
Depreciation	(5,529,359)	(52,240,203)	(252,211)	(417,769)	(422,069)	(256,682)	(3,563,563)	(62,681,855)
Transfer to Investment Property	-	-	-	-	-	-	-	-
Carrying value of Disposals	(9,630)	-	(9,205)	(34,843)	(7,185)	-	-	(60,863)
Cost	(9,630)	-	(18,365)	(221,741)	(40,486)	(520,807)	-	(811,130)
- Accumulated Impairment Losses	-	-	-	973	181	357,185	-	358,338
- Accumulated Depreciation	-	-	9,159	185,926	33,121	163,722	-	391,928
Impairment Losses	-	-	(5,183)	(5,155)	(3,903)	-	-	(14,240)
Carrying values at 30 June 2018	107,623,140	653,163,141	1,042,782	2,367,270	2,454,746	5,064,381	3,864,506	775,584,828
Cost	219,394,788	1,953,464,100	3,185,193	8,209,489	7,705,533	8,867,617	10,698,272	2,211,524,992
- Completed Assets	219,159,788	1,930,830,009	3,185,193	8,209,489	7,705,533	8,867,617	10,698,272	2,189,655,901
- Under Construction	235,000	22,634,091	-	-	-	-	-	22,869,091
Accumulated Impairment Losses	-	-	(20,490)	(52,046)	(22,599)	(196,491)	-	(291,626)
Accumulated Depreciation:	(111,771,648)	(1,300,300,959)	(2,121,921)	(5,790,173)	(5,228,188)	(3,606,746)	(6,829,766)	(1,435,649,400)



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

30 June 2017

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infrastructure Assets	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
<b>Carrying values at 1 July 2016</b>	<b>118,692,709</b>	<b>726,782,563</b>	<b>578,914</b>	<b>3,142,230</b>	<b>3,203,762</b>	<b>5,134,650</b>	<b>938,663</b>	<b>858,473,512</b>
- Cost	219,404,418	1,923,228,777	2,423,578	8,563,397	7,783,848	8,763,568	1,156,171	2,171,323,756
- Completed Assets	219,169,418	1,901,261,046	2,423,578	8,563,397	7,783,848	8,763,568	1,156,171	2,149,121,025
- Under Construction	235,000	21,967,731	-	-	-	-	-	22,202,731
- Accumulated Impairment Losses	-	-	(19,622)	(39,899)	(17,345)	(196,491)	-	(273,356)
- Accumulated Depreciation	(100,711,708)	(1,196,446,214)	(1,825,042)	(5,381,268)	(4,562,722)	(3,432,427)	(217,508)	(1,312,576,889)
<b>Acquisitions</b>	<b>-</b>	<b>-</b>	<b>157,683</b>	<b>60,791</b>	<b>132,434</b>	<b>442,006</b>	<b>9,497,458</b>	<b>10,290,372</b>
- Capital under Construction - Additions	-	-	-	-	-	-	-	-
- Depreciation	(5,530,581)	(51,614,542)	(166,351)	(469,321)	(432,714)	(281,455)	(3,048,695)	(61,543,659)
<b>Carrying value of Disposals</b>	<b>-</b>	<b>-</b>	<b>(39,474)</b>	<b>(59,648)</b>	<b>(50,014)</b>	<b>(221,560)</b>	<b>-</b>	<b>(369,796)</b>
- Cost	-	-	(156,593)	(351,555)	(206,268)	(421,756)	-	(1,136,192)
- Accumulated Impairment Losses	-	-	4,596	649	78	-	-	5,322
- Accumulated Depreciation	-	-	112,524	292,259	156,196	200,096	-	761,075
<b>Transfer to non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Impairment Losses	-	-	(282)	(8,613)	(1,610)	(357,185)	-	(367,691)
<b>Carrying values at 30 June 2017</b>	<b>113,162,128</b>	<b>675,168,021</b>	<b>530,480</b>	<b>2,666,438</b>	<b>3,189,166</b>	<b>4,716,357</b>	<b>7,387,428</b>	<b>806,483,601</b>
- Cost	219,404,418	1,923,228,777	2,424,667	8,272,632	7,709,994	8,783,818	10,653,629	2,180,477,935
- Completed Assets	219,169,418	1,901,261,046	2,424,667	8,272,632	7,709,994	8,783,818	10,653,629	2,158,275,204
- Under Construction	235,000	21,967,731	-	-	-	-	-	22,202,731
- Accumulated Impairment Losses	-	-	(15,308)	(47,864)	(18,877)	(553,676)	-	(635,725)
- Accumulated Depreciation:	(106,242,289)	(1,248,060,756)	(1,878,870)	(5,558,330)	(4,839,240)	(3,513,785)	(3,266,203)	(1,373,359,473)

Refer to Appendices B, C and E (4) for more detail on Property, Plant and Equipment, including those in the course of construction.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**7.2 Work-in Progress**

<b>30 June 2018</b>	<b>Buildings</b>	<b>Roads</b>	<b>Electricity</b>	<b>Water</b>	<b>Sewerage</b>	<b>Total</b>
Opening balance at 1 July	235,000	13,159,695	5,829,646	734,279	2,244,113	22,202,731
Additions	-	13,028,779	6,578,948	4,824,098	5,803,498	30,235,322
Transferred to Completed Projects	-	-12,926,237	-12,408,593	-	-2,244,113	-27,578,943
<b>Closing balance at 30 June</b>	<b>235,000</b>	<b>13,262,236</b>	<b>-</b>	<b>5,558,377</b>	<b>5,803,498</b>	<b>24,859,111</b>
<b>30 June 2017</b>	<b>Buildings</b>	<b>Roads</b>	<b>Electricity</b>	<b>Water</b>	<b>Sewerage</b>	<b>Total</b>
Opening balance at 1 July	235,000	6,639,457	2,390,399	-	1,164,950	10,429,807
Additions	-	6,520,238	3,439,246	734,279	1,079,162	11,772,925
Transferred to Completed Projects	-	-	-	-	-	-
<b>Closing balance at 30 June</b>	<b>235,000</b>	<b>13,159,695</b>	<b>5,829,646</b>	<b>734,279</b>	<b>2,244,113</b>	<b>22,202,731</b>

**Projects taking a significant amount of time to complete:**

**De Aar Sport Facility:**

During the 2015 financial year, the municipality received funding for the construction of a sport facility (athletics field). The municipality performed a feasibility study and spent R235 000 on the study. No further costs have been incurred on the project and the remaining funds have been included as Unspent Conditional Grants.

Please refer to Note 17: Unspent Conditional Grants for the unspent portion withheld.

No retention funds are applicable to the project.

**Roads and Storm Water Project:**

During the 2016 financial year, the municipality embarked on the upgrading of roads and storm water within various towns within the municipal boundaries. Due to contractors not performing, the project is taking longer than expected. The municipality withheld a significant portion of the contractors retention funds and this has been deducted for the costs.

The projects are funded by the MIG and all unspent portions have been disclosed in Note 17: Unspent Conditional Grants.

All retention funds withheld on the projects have been included in Note 15: Payables from Exchange Transactions

**Projects halted during current or previous financial year:**

None were halted during the current or previous financial year.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>7. PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<i>7.2 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</i>		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.		
<i>7.3 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal</i>		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
<i>7.4 Assets pledged as security</i>		
The Municipality did not pledge any of its assets as security.		
<i>7.5 Impairment of Property, Plant and Equipment</i>		
Impairment Losses reversed on Property, Plant and Equipment to the amount of 344 091 (2017: R368 038) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 36.		
The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses.		
The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The asset has only been partially impaired as it still in use.		
<i>7.6 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed</i>		
A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:		
Land and Buildings	-	(255,161)
Infrastructure Assets	(15,283)	(276,780)
Other Assets	(1 181,684)	(296,054)
<b>Total Change in Estimate for Useful Life of Property, Plant and Equipment</b>	<b>(1,196,967)</b>	<b>(828,394)</b>
The change in estimates will result in a decrease of R1 196 967 (2016: R828 394) in the depreciation expense for the Municipality over the next three financial years.		
<i>7.7 Land and Buildings carried at Fair Value</i>		
The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
<b>B. INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation	<b>136,551</b>	<b>81,377</b>
The movement in Intangible Assets is reconciled as follows:		
Carrying values at 1 July	<b>81,377</b>	<b>82,117</b>
Cost	2,021,431	2,005,778
Accumulated Amortisation	(1,960,055)	(1,923,660)
Acquisitions	148,819	15,655
Amortisation	(73,436)	(36,395)
Carrying values at 30 June	<b>136,551</b>	<b>81,377</b>
Cost	2,170,042	2,021,431
Accumulated Amortisation	(2,033,491)	(1,960,055)
The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 35).		
All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.		
No restrictions apply to any of the Intangible Assets of the Municipality		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>8. INTANGIBLE ASSETS (continued)</b>		
Refer to Appendix "B" for more detail on Intangible Assets		
<b>8.1 Significant Intangible Assets</b>		
The Municipality has a Financial Accounting System, Sebata, which is material in relation to other intangibles assets recognised. The carrying amount of the software of R53 542 (2017: R0).		
<b>8.2 Intangible Assets with indefinite Useful Lives</b>		
The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.		
The useful lives of the Intangible Assets remain unchanged from the previous year.		
<b>8.3 Impairment of Intangible Assets</b>		
No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.		
<b>9. INVESTMENT PROPERTY</b>		
At Fair Value	76,955,109	78,577,109
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	8,004,000	8,004,000
Fair Value	78,577,109	77,862,509
Accumulated Impairment Losses	-	-
Net Gains / (Losses) from Fair Value Adjustments	-	714,600
Transfers during the Year	(1,622,000)	-
Carrying values at 30 June	76,955,109	78,577,109
Fair Value	76,955,109	78,577,109
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	76,955,109	78,577,109
In the 2017 financial year, the municipality revisited all property carried as held for sale. This was done to ensure the intention of the properties are still relevant. After this exercise was completed, the municipality decided to transfer relevant properties from Inventory to Investment Property.		
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	-	-
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-
All of the Municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the Municipality.		
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations on Investment Property.		
Refer to Appendix "B" for more detail on Investment Property.		
<b>9.1 Investment Property carried at Fair Value</b>		
The Municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties and the professional judgement of the valuer from time to time when the circumstances requires.		
<b>9.2 Impairment of Investment Property</b>		
No impairment losses have been recognised on Investment Property of the Municipality at the reporting		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R		
<b>10. HERITAGE ASSETS</b>				
At Cost less Accumulated Impairment Losses	<u>6,959,273</u>	<u>6,959,273</u>		
The movement in Heritage Assets is reconciled as follows:				
	Historical Sites	Cultural Buildings	Historical Assets	Total
Carrying values at 1 July 2017	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
Carrying values at 30 June 2018	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment Losses	-	-	-	-
	Historical Sites	Cultural Buildings	Historical Assets	Total
Carrying values at 1 July 2018	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
Carrying values at 30 June 2017	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment Losses	-	-	-	-
All of the Municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the Municipality.				
No restrictions apply to any of the Heritage Assets of the Municipality				
Refer to Appendix "B" for more detail on Intangible Assets.				
<b>10.1 Impairment of Heritage Assets</b>				
No impairment losses have been recognised on Heritage Assets of the Municipality at the reporting date.				

**11. NON-CURRENT INVESTMENTS**

Listed		
Listed Shares	<u>28,054</u>	<u>25,329</u>
Total Investments		
All Investments	28,054	25,329
Loss: Short term Portion transferred to Current Investments	-	-
Total Non-current Investments	<u>28,054</u>	<u>25,329</u>
Market valuation of Listed Investments		
Listed Shares	<u>28,054</u>	<u>25,329</u>

Listed Shares are investments in shares of public companies with no specific maturity dates or interest

The Management of the Municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>12. LONG-TERM RECEIVABLES</b>		
Other Loans	1,601	1,489
Less: Provision for Impairment	-	-
	<u>1,601</u>	<u>1,489</u>
Less: Current Portion transferred to Current Receivables	-	-
Other Loans	<u>-</u>	<u>-</u>
<b>Total Long-term Receivables</b>	<u><u>1,601</u></u>	<u><u>1,489</u></u>

The Municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the Municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

The management of the Municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

**13. CONSUMER DEPOSITS**

Electricity and Water	2,345,572	2,269,439
<b>Total Consumer Deposits</b>	<u><u>2,345,572</u></u>	<u><u>2,269,439</u></u>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the Municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>14. PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Creditors	9,173,664	3,097,563
Eskom Creditor	19,049,401	16,897,377
Payments Received in Advance	5,403,724	5,781,291
Retentions	2,022,706	862,859
Staff Bonuses	2,340,969	2,291,457
Sundry Deposits	337,652	321,751
Other Creditors	18,451,627	11,191,946
Department of Housing	(221,579)	-
Salary Control Account	(4,459)	(966)
Accrued Leave	6,747,346	5,715,647
<b>Total Payables</b>	<b>63,301,050</b>	<b>45,958,928</b>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The Municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the Municipality.

The significant increase in 2018 pertaining to other creditors was mostly attributable to the increase in the amount owed to Eskom. Although the amount classified under "Eskom Creditor" agrees to the Eskom statement, Eskom classifies an additional portion owed by the municipality in a suspense account. The amount in the suspense account manually gets added back to the main account on a monthly term based on a payment arrangement between the two parties. The municipality created a suspense account (all their own which matches the one of Eskom. The Suspense account forms part of other creditors.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

**15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Payments Received in Advance	3,588,027	3,539,875
<b>Total Payables</b>	<b>3,588,027</b>	<b>3,539,875</b>

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The Municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

**16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

<b>16.1 Conditional Grants from Government</b>	<b>3,689,667</b>	<b>3,857,622</b>
National Government Grants	0	1,763,181
Provincial Government Grants	3,650,480	2,055,273
Local Government Grants	39,188	39,168
<b>16.2 Other Conditional Receipts</b>	<b>-</b>	<b>-</b>
Public Contributions	-	-
<b>Total Conditional Grants and Receipts</b>	<b>3,689,667</b>	<b>3,857,622</b>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 27 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

**17. VAT PAYABLE**

VAT Payable	3,421,843	3,802,086
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VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>18. LONG-TERM LIABILITIES</b>		
Annuity Loans	(0)	(0)
Finance Lease Liability	4,747,099	8,135,368
Sub-total	<u>4,747,099</u>	<u>8,135,368</u>
Less: Current Portion transferred to Current Liabilities	(3,733,833)	(3,433,193)
Annuity Loans	-	-
Finance Lease Liability	<u>(3,733,833)</u>	<u>(3,433,193)</u>
Total Long-term Liabilities (Neither past due, nor impaired)	<u>1,013,266</u>	<u>4,702,175</u>

**18.1 Summary of Arrangements**

Annuity Loans are repaid over periods of 0 (2017: 5 to 10) years and at interest rates varying from 0% to 0% (2017: 9.60% to 12.00%) per annum. Annuity Loans are not secured.

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**18.2 Breach of Loan Agreement**

The Municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the Municipality.

**19. EMPLOYEE BENEFIT LIABILITIES**

Post retirement Health Care Benefits Liability	32,259,244	32,632,206
Long Service Awards Liability	3,623,169	3,565,732
Total Employee Benefit Liabilities	<u>35,882,413</u>	<u>36,197,938</u>
<b>19.1 Post-retirement Health Care Benefits Liability</b>		
Balance at beginning of Year	33,804,539	37,181,976
Contributions to Provision	1,781,877	2,170,887
Increase due to Discounting	3,213,578	3,325,019
Expenditure Incurred	(1,172,333)	(1,106,876)
Actuarial (Gains) / Losses	(4,057,796)	(7,766,467)
Balance at end of Year	<u>33,549,662</u>	<u>33,804,539</u>
Transfer to Current Provisions	(1,290,418)	(1,172,333)
Total Post-retirement Health Care Benefits Liability	<u>32,259,244</u>	<u>32,632,206</u>

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr C Wess, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R			
<b>19. EMPLOYEE BENEFIT LIABILITIES (continued)</b>					
The members of the Post-employment Health Care Benefit Plan are made up as follows:					
In-service Members (Employees)	44	48			
In-service Non-members (Employees)	275	270			
Continuation Members (Retirees, widowers and orphans)	29	27			
<b>Total Members</b>	<b>348</b>	<b>345</b>			
The liability in respect of past service has been estimated as follows:					
In-service Members	19,165,935	19,924,674			
Continuation Members	14,383,727	13,879,865			
<b>Total Liability</b>	<b>33,549,662</b>	<b>33,804,539</b>			
The Municipality makes monthly contributions for health care arrangements to the following Medical Aid:					
- Bonitas					
- Hosmed					
- Keyhealth					
- LA Health					
- Sanwunmed					
The Current-service Cost for the year ending 30 June 2018 is estimated to be R1 761 677, whereas the cost for the ensuing year is estimated to be R1 755 368					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	9.56%	9.67%			
Health Care Cost Inflation Rate	7.38%	7.96%			
Net Effective Discount Rate	2.03%	1.58%			
Expected Retirement Age - Females	59	59			
Expected Retirement Age - Males	63	63			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	33,804,539	37,181,976			
Current service costs	1,761,677	2,170,687			
Interest cost	3,213,578	3,325,019			
Benefits paid	(1,172,333)	(1,106,676)			
Actuarial losses / (gains)	(4,057,799)	(7,766,487)			
<b>Total Recognised Benefit Liability</b>	<b>33,549,662</b>	<b>33,804,539</b>			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	33,549,662	33,804,539			
<b>Total Benefit Liability</b>	<b>33,549,662</b>	<b>33,804,539</b>			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	1,761,677	2,170,687			
Interest cost	3,213,578	3,325,019			
Expenditure incurred	(1,172,333)	(1,106,676)			
Actuarial losses / (gains)	(4,057,799)	(7,766,487)			
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 32)</b>	<b>(254,877)</b>	<b>(3,277,437)</b>			
The history of experienced adjustments is as follows:					
	2018 R	2017 R	2016 R	2015 R	2014 R
Present Value of Defined Benefit Obligation	33,549,662	33,804,539	37,181,976	34,978,978	32,350,240
<b>Deficit</b>	<b>33,804,539</b>	<b>37,181,976</b>	<b>34,978,978</b>	<b>34,978,978</b>	<b>32,350,240</b>
Experienced adjustments on Plan Liabilities	37,607,461	41,571,006	39,067,630	36,064,964	32,891,138

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>19. EMPLOYEE BENEFIT LIABILITIES (continued)</b>		
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	5,839,500	6,652,500
Effect on the defined benefit obligation	38,888,000	38,350,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	4,206,700	4,587,400
Effect on the defined benefit obligation	29,200,000	29,301,000
The Municipality expects to make a contribution of R1 755 368 (2017: R1 761 677) to the Defined Benefit Plans during the next financial year.		
Refer to Note 56 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that are Provincially and Nationally administered.		
<b>19.2 Long Service Awards Liability</b>		
Balance at beginning of Year	3,904,048	3,784,578
Contributions to Provision	392,180	397,341
Increase due to Discounting	311,594	303,193
Expenditure Incurred	(338,314)	(382,510)
Actuarial (Gains) / Losses	102,134	(198,554)
Balance at end of Year	4,371,640	3,904,048
Transfer to Current Provisions	(748,471)	(338,314)
<b>Total Long Service Awards Liability</b>	<b>3,623,169</b>	<b>3,565,732</b>
The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr C Wess, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
At year end, 319 (2017: 320) employees were eligible for Long-service Awards.		
The Current-service Cost for the year ending 30 June 2018 is estimated to be R392 180 (2017: R389 911) whereas the cost for the ensuing year is estimated to be R413 229 (2016: R397 341).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.39%	8.34%
Cost Inflation Rate	6.03%	6.15%
Net Effective Discount Rate	2.23%	2.05%
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	3,904,048	3,784,578
Current service costs	392,180	397,341
Interest cost	311,594	303,193
Benefits paid	(338,314)	(382,510)
Actuarial losses / (gains)	102,134	(198,554)
<b>Total Recognised Benefit Liability</b>	<b>4,371,640</b>	<b>3,904,048</b>
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	4,371,640	3,904,048
<b>Total Benefit Liability</b>	<b>4,371,640</b>	<b>3,904,048</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>19. EMPLOYEE BENEFIT LIABILITIES (continued)</b>		
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	392,180	397,341
Interest cost	311,594	303,193
Benefits paid	(338,314)	(362,510)
Actuarial losses / (gains)	102,134	(196,554)
<b>Total Post-retirement Benefit Included in Employee Related Costs (Note 32)</b>	<b>467,594</b>	<b>139,470</b>
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	750,900	751,500
Effect on the defined benefit obligation	4,608,000	41,230,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(881,100)	(854,500)
Effect on the defined benefit obligation	4,155,000	3,703,000
The Municipality expects to make a contribution of R338 314 (2017: R362 510) to the Defined Benefit Plans during the next financial year		
<b>20. NON-CURRENT PROVISIONS</b>		
Provision for Rehabilitation of Land-fill Sites	46,936,726	42,731,907
<b>Total Non-current Provisions</b>	<b>46,936,726</b>	<b>42,731,907</b>
The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:		
Balance at beginning of year	42,731,907	7,030,107
Contributions to provision	4,204,820	35,701,800
	46,936,726	42,731,907
Transfer to current provisions	-	-
<b>Balance at end of year</b>	<b>46,936,726</b>	<b>42,731,907</b>
<b>20.1 Rehabilitation of Land-fill Sites</b>		
The Municipality will incur rehabilitation cost on its three dumping/landfill sites in the periods 2021/22, 2037/38 and 2032/33. Provision has been made for the net present value of this cost.		
	Proposed Rehabilitation	
Britstown Landfill	2029/2030	2,471,878
De Aar Landfill	2026/2027	42,105,743
Harrover Landfill	2028/2027	2,359,106
	<b>46,936,726</b>	<b>42,731,907</b>
<b>21. ACCUMULATED SURPLUS</b>		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Capital Replacement Reserve (CRR)	2,252,793	2,252,793
Accumulated Surplus / (Deficit) due to the results of Operations	767,856,168	809,139,703
<b>Total Accumulated Surplus</b>	<b>769,908,961</b>	<b>811,392,496</b>
The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.		
Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R		2017 R	
<b>22. PROPERTY RATES</b>				
	Property Valuations		Actual Levies	
	2018 R000's	2017 R000's	2018	2017
Residential	3 975,923,000	3,258,602,779	22,338,443	22,227,944
Commercial	275,714,000	236,674,000	4,375,183	3,381,820
State	310,591,000	316,296,000	5,078,515	5,142,084
<b>Total Property Rates</b>	<b>4,562,228,000</b>	<b>3,810,972,779</b>	<b>31,790,141</b>	<b>30,751,848</b>
Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2017				
Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.				
A general rate is applied as follows to property valuations to determine property rates:				
Residential Properties: 1 1100 c/R (2017: 1 3632 c/R)				
Business Properties: 1 5950 c/R (2017: 1 4200 c/R)				
State Owned Properties: 1 9027 c/R (2017: 1 7950 c/R)				
A rebate of 100 00% (2017: 100 00%) was allowed on residential properties whose market value is R 28 000 and less and agriculture properties are levied as per Government Gazette of 2009.				
Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.				
<b>23. FINES</b>				
Penalties for Consumers			168,605	272,422
Traffic Fines			9,033,278	18,698,071
<b>Total Fines</b>			<b>9,201,883</b>	<b>18,970,493</b>
<b>24. LICENCES AND PERMITS</b>				
Driver and Learner Licences			1,542,800	303,512
Roadworthy and Other Special Permits			87,587	1,137,523
<b>Total Licences and Permits</b>			<b>1,630,387</b>	<b>1,441,035</b>
<b>25. GOVERNMENT GRANTS AND SUBSIDIES</b>				
National Equitable Share			37,094,000	38,187,000
Provincial: Sports, Arts and Culture (Library Grant)			885,543	1,161,000
Operational Grants			37,979,543	37,358,000
<b>Conditional Grants</b>			<b>33,724,729</b>	<b>13,340,510</b>
National: EPWP			923,479	957,691
National: FMG			1,700,000	1,625,000
National: MIG			12,700,269	7,109,765
Provincial: Housing Accreditation			1,194,437	890,006
National: Integrated National Electrification Programme (INEP)			6,578,948	2,633,776
National: Water Services Infrastructure Grant			10,627,596	-
National: Regional Bulk Infrastructure Grant (RBIIG)			-	734,279
<b>Total Government Grants and Subsidies</b>			<b>71,704,272</b>	<b>50,688,510</b>
<b>Government Grants and Subsidies:</b>				
Conditional Grants - Capital			29,906,813	10,477,819
Conditional Grants - Operational			3,817,916	2,862,691
Unconditional Grants - Capital			-	-
Unconditional Grants - Operational			37,979,543	37,358,000
<b>Total Government Grants and Subsidies</b>			<b>71,704,272</b>	<b>50,688,510</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>25. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	41,797,458	40,220,891
Conditions met - transferred to Revenue: Capital Expenses	29,906,813	10,477,819
<b>Total Transfers</b>	<b>71,704,272</b>	<b>50,698,710</b>
Operational Grants:		
<b>25.1 National: Equitable Share</b>	<b>37,094,000</b>	<b>36,187,000</b>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R148 (2017: R148), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kJ water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.		
<b>25.2 Provincial: Sports, Arts and Culture (Library Grant)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	885,543	1,161,000
Conditions met - transferred to Operating Revenue	(885,543)	(1,161,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 17)	-	-
This grant was allocated for the upgrading of library equipment and operating expenses. All conditions attached to the grant were met. No funds have been withheld.		
Conditional Grants:		
<b>25.3 National: Expanded Public Works Programme</b>		
Balance unspent at beginning of year	389,953	-
Current year receipts	686,047	1,000,000
Conditions met - transferred to Operating Revenue	(923,479)	(557,691)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	(76,600)	(52,356)
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 17)	<b>85,921</b>	<b>389,953</b>
This grant was used for the upgrading of Roads facilities. At year-end, not all conditions were met, resulting in an unspent amount being disclosed.		
<b>25.4 National: Financial Management Grant (FMG)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1,700,000	1,625,000
Conditions met - transferred to Operating Revenue	(1,700,000)	(1,625,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 17)	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003). The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>25. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>25.5 National: Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	1,763,711	3,034,934
Current year receipts	12,292,000	6,758,308
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	(12,700,269)	(7,109,765)
Other Adjustments / Refunds	(1,355,442)	(919,787)
Conditions still to be met - transferred to Current Liabilities (see Note 17)	<u>(0)</u>	<u>1,763,711</u>
The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix B).		
At yearend, all conditions were met in respect to the upgrading of infrastructure. This resulted in no unspent portion being recognised at yearend.		
<b>25.6 National: Municipal Systems Improvement Grant (MSG)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 17)	<u>-</u>	<u>-</u>
The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. All conditions attached to the grant were met. No funds have been withheld.		
<b>25.7 Provincial: Department of Water Affairs</b>		
Balance unspent at beginning of year	15,621	15,621
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 17)	<u>15,621</u>	<u>15,621</u>
This grant was used to cover the cost relating to new water meters and the installation thereof. Not all conditions attached to the grant were met. An unspent portion has been recognised.		
<b>25.8 Provincial: Sports, Arts and Culture (Phundulwazi Upgrade)</b>		
Balance unspent at beginning of year	150,000	150,000
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 17)	<u>150,000</u>	<u>150,000</u>
This grant was allocated for the upgrade of the Phundulwazi Library in accordance with the submitted business plan. Not all conditions were met at yearend, causing an unspent portion to be recognised.		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>25. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>25.9 Provincial: Housing Accreditation</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1,194,437	680,000
Conditions met - transferred to Operating Revenue	(1,194,437)	(680,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	-	-
This grant was allocated to improve capacity within the administration of the Municipality in respect to the Housing Department. All conditions attached to the grant were met. No funds have been withheld.		
<b>25.10 Provincial: Department of Health</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	-	-
The grant was received for the construction of the electricity lines to the new hospital. All conditions attached to the grant were met. No funds have been withheld.		
<b>25.11 Provincial: Department of Education</b>		
Balance unspent at beginning of year	1,232,100	1,232,100
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	1,232,100	1,232,100
At yearend, not all conditions were met in respect to the construction of the athletics field as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at yearend.		
<b>25.12 Provincial: Department of Roads</b>		
Balance unspent at beginning of year	267,600	267,600
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT portion released	-	-
Conditions still to be met - transferred to Current liabilities (see Note 17)	267,600	267,600
This grant was allocated for the construction and upgrading of roads within the Nonzwakazi area. At yearend, not all conditions were met in respect to the rehabilitation of the roads as all funds received were not spent. This resulted in the unspent portion being recognised at yearend.		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>25. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>25.13 Provincial: Department of Roads</b>		
Balance unspent at beginning of year	267,600	267,600
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT portion released	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 17)	<u>267,600</u>	<u>267,600</u>
This grant was allocated for the construction and upgrading of roads within the municipal boundaries. All conditions attached to the grant were not met, resulting in an unspent portion being recognised.		
<b>25.14 National: Integrated National Electrification Programme (INEP)</b>		
Balance unspent at beginning of year	(0)	257,034
Current year receipts	7,500,000	2,742,966
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(6,578,948)	(2,633,776)
Conditions met - transferred to Revenue: VAT portion released	(921,052)	(366,224)
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 17)	<u>-</u>	<u>(0)</u>
This grant was allocated for the construction and upgrading of electricity networks within the municipal boundaries. All conditions attached to the grant were met. No funds have been withheld.		
<b>25.15 Other Local Government</b>		
Balance unspent at beginning of year	39,188	39,188
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 17)	<u>39,188</u>	<u>39,188</u>
The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. At year-end, not all conditions were met, resulting in the unspent portion being recognised.		
<b>25.16 National: Regional Bulk Infrastructure Grant (RBIG)</b>		
Balance unspent at beginning of year	0	-
Current year receipts	-	750,000
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	(734,279)
Conditions met - transferred to Other Revenue (Own Income)	-	(15,721)
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 17)	<u>0</u>	<u>0</u>
To develop new, refurbish, upgrade and replace ageing infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to develop new, refurbish, upgrade and replace ageing waste water infrastructure of regional significance; to pilot regional Water Conservation and Water Demand Management projects or facilitate and contribute to the implementation of local Water Conservation and Water Demand Management projects that will directly impact on bulk infrastructure requirements. At year-end, all conditions were met and no funds were withheld.		
<b>25.17 National: Water Services Infrastructure Grant (WSIG)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	14,000,000	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	(10,827,596)	-
Conditions met - transferred to Other Revenue (Own Income)	(1,473,166)	-
Other Adjustments / Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 17)	<u>1,699,238</u>	<u>-</u>
The Water Services Infrastructure Grant was used for rehabilitation of boreholes as well as for sewer projects. At the end of the year not all funds were utilised, resulting in an unspent portion being recognised.		
<b>25.18 Changes in levels of Government Grants</b>		
Based on the allocations set out in the Division of Revenue Act, 2014 (Act No. 2 of 2014), government grant funding is expected to increase over the forthcoming three financial years.		



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>26. SERVICE CHARGES</b>		
Sale of Electricity	72,881,748	75,058,315
Sale of Water	25,894,783	24,128,378
Refuse Removal	6,272,700	6,224,871
Sewerage and Sanitation Charges	11,864,720	11,621,706
Other Service Charges	484,348	440,444
<b>Total Service Charges</b>	<b>117,398,279</b>	<b>116,273,712</b>
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
<b>27. RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental Revenue from Halls	113,675	104,664
Rental Revenue from Land	692,081	677,562
Rental Revenue from Other Facilities	45,764	50,583
<b>Total Rental of Facilities and Equipment</b>	<b>851,520</b>	<b>832,789</b>
Rental revenue earned on Facilities and Equipment in respect of Non-financial Assets rented out.		
<b>28. INTEREST EARNED</b>		
<b>Property Rates:</b>		
Interest / Penalties Raised	388,442	281,347
	<b>388,442</b>	<b>281,347</b>
<b>External Investments:</b>		
Bank Account	219,554	115,660
Investments	1,248,639	1,274,374
Other Deposits	-	-
	<b>1,468,193</b>	<b>1,390,035</b>
<b>Outstanding Debtors:</b>		
Long term Debtors	2,075	1,135
Outstanding Billing Debtors	1,090,782	881,066
	<b>1,092,857</b>	<b>882,201</b>
<b>Total Interest Earned</b>	<b>2,949,482</b>	<b>2,553,583</b>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available for Sale Financial Assets	1,468,193	1,390,035
Loans and Receivables	1,481,299	1,163,548
	<b>2,949,482</b>	<b>2,553,583</b>
Revenue recognised in respect of Financial Assets designated as at "fair value" is disclosed in Note 43.		
<b>29. OTHER REVENUE</b>		
Building Plan Fees	87,117	97,067
Grave Fees	393,790	325,446
Sundries Levies	1,034,614	978,831
Own Income - VAT	3,825,710	1,354,069
Bad Debts Recovered	76,560	-
Impairment Reversal	-	-
Reconnection Fees	22,548	72,835
Tender Documents	-	21,500
Other Non-material Income	153,481	184,251
<b>Total Other Revenue</b>	<b>5,583,721</b>	<b>3,035,101</b>
The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>30. PROFIT (LOSS) ON SALE OF LAND</b>		
Proceeds on Sale of Land	(1,395,030)	(2,325)
Cost of Sale of Land	-	-
<b>Total Profit on Sale of Land</b>	<b>(1,395,030)</b>	<b>(2,325)</b>
<b>31. EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	56,613,991	52,042,224
Basic Salaries and Wages	49,389,396	47,054,403
Long Service Bonuses	574,114	196,827
Leave Encashed	2,047,291	556,337
Service Bonuses	4,603,190	4,234,657
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	10,842,258	10,946,378
Group Life	47,943	44,369
Medical	1,465,558	1,465,221
Pension	8,158,263	8,305,802
Industrial Council Levy	32,975	31,473
Skills Development Levy	618,046	599,989
UIF	499,453	479,524
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	4,738,028	4,334,437
Allowances	3,060,949	3,144,784
Pensioners Allowances	1,649,077	1,189,674
Housing Benefits and Allowances	632,733	649,178
Overtime Payments	3,677,263	3,755,325
Defined Benefit Plan Expense:	(254,877)	(3,377,437)
Current Service Cost	1,761,677	2,170,687
Interest Cost	3,213,578	3,325,019
Net Actuarial (gains)/losses recognised	(1,172,333)	(1,106,676)
Vested Past Service Cost	(4,057,799)	(7,766,467)
Long-service Award Liability Expense:	467,594	139,470
Current Service Cost	392,180	397,341
Interest Cost	311,594	303,193
Net Actuarial (gains)/losses recognised	(338,314)	(362,510)
Vested Past Service Cost	102,134	(198,554)
<b>Total Employee Related Costs</b>	<b>76,915,008</b>	<b>68,469,478</b>

No advances were made to employees.

Included in Employee Related Costs is an amount of R8 158 283 (2017: R8 305 802) paid by the Municipality to Defined Contribution Plans at rates specified by the rules of the plans.

**Remuneration of Section 57 Employees:**

*Remuneration of the Municipal Manager*

Annual Remuneration	1,165,804	858,082
Performance Bonus	266,610	192,323
Car and Other Allowances	425,644	392,086
Company Contributions to UIF, Medical and Pension Funds	175,041	169,640
<b>Total</b>	<b>2,033,099</b>	<b>1,612,131</b>

*Remuneration of the Chief Financial Officer*

Annual Remuneration	961,673	840,000
Performance Bonus	301,719	151,785
Car and Other Allowances	241,033	239,604
Company Contributions to UIF, Medical and Pension Funds	116,846	184,337
<b>Total</b>	<b>1,395,706</b>	<b>1,395,706</b>

*Remuneration of the Director: Corporate Services*

Annual Remuneration	674,635	405,546
Performance Bonus	156,207	46,169
Car and Other Allowances	174,922	69,728
Company Contributions to UIF, Medical and Pension Funds	122,528	96,194
<b>Total</b>	<b>819,636</b>	<b>619,636</b>

The post was vacant from 1 January 2017 to 30 June 2017

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>31. EMPLOYEE RELATED COSTS (continued)</b>		
<i>Remuneration of the Director: Community and Development Services</i>		
Annual Remuneration	568,999	623,378
Performance Bonus	43,250	85,115
Car and Other Allowances	215,704	178,158
Company Contributions to UIF, Medical and Pension Funds	199,341	201,384
<b>Total</b>	<b>1,170,035</b>	<b>1,170,035</b>
<i>Remuneration of the Director: Infrastructure and Housing Services</i>		
Annual Remuneration	729,057	678,361
Performance Bonus	148,768	138,199
Car and Other Allowances	154,585	132,000
Company Contributions to UIF, Medical and Pension Funds	142,621	147,339
<b>Total</b>	<b>1,173,031</b>	<b>1,093,899</b>
No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.		
<b>32. REMUNERATION OF COUNCILLORS</b>		
Mayor	785,871	742,878
Speaker	645,781	567,344
Councillors	2,519,109	2,358,125
Company Contributions to UIF, Medical and Pension Funds	31,252	40,969
Other Allowances (Cellular Phones, Housing, Transport, etc)	1,342,849	1,125,848
<b>Total Councillors' Remuneration</b>	<b>5,324,661</b>	<b>4,835,161</b>
<i>Remuneration of Councillors:</i>		
<i>In-kind Benefits</i>		
Councillors may utilise official Council transportation when engaged in official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
<b>33. COLLECTION COSTS</b>		
Commission Paid	3,304	174,499
<b>Total Collection Costs</b>	<b>3,304</b>	<b>174,499</b>
<b>34. DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	82,601,855	61,542,797
Amortisation: Intangible Assets	73,436	36,395
<b>Total Depreciation and Amortisation</b>	<b>82,755,291</b>	<b>61,579,192</b>
<b>35. IMPAIRMENT LOSSES</b>		
<i>35.1 Impairment Losses on Fixed Assets</i>		
Impairment Losses Recognised:	(344,099)	368,038
Property, Plant and Equipment	(344,099)	368,038
Intangible Assets	-	-
	<b>(344,099)</b>	<b>368,038</b>
<i>35.2 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:	25,375,953	35,387,622
Receivables from Exchange Transactions	7,328,898	18,315,600
Receivables from Non-exchange Transactions	17,849,254	19,072,022
	<b>25,375,953</b>	<b>35,387,622</b>
<b>Total Impairment Losses</b>	<b>25,031,854</b>	<b>35,755,660</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>36. REPAIRS AND MAINTENANCE</b>		
Materials	10,384,540	8,695,185
Labour	1,550,807	1,633,875
<b>Total Repairs and Maintenance</b>	<b>11,935,347</b>	<b>10,329,060</b>
<b>37. FINANCE COSTS</b>		
Bank Overdraft	50,676	78,853
Finance Leases	1,095,005	1,319,632
Overdue Creditors	2,674,680	1,859,480
Current Borrowings	-	42,290
Landfill Provision	4,204,620	3,828,132
<b>Total Interest Paid on External Borrowings</b>	<b>8,025,181</b>	<b>7,128,387</b>
The weighted average capitalisation rate on funds borrowed generally is 0.00% per annum (2017: 10.00% per annum).		
<b>38. BULK PURCHASES</b>		
Electricity	57,369,038	56,756,499
Water	2,568,515	2,266,527
<b>Total Bulk Purchases</b>	<b>59,937,553</b>	<b>59,023,026</b>
Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the Municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from various sources.		
<b>39. CONTRACTED SERVICES</b>		
Professional Fees	2,564,361	3,080,882
Security Services	1,977,250	2,159,126
Pre-Paid Commission	2,419,068	3,118,481
<b>Total Contracted Services</b>	<b>6,960,679</b>	<b>8,358,489</b>
<b>40. GRANTS AND SUBSIDIES PAID</b>		
Other Grants and Subsidies Paid	516,112	361,888
<b>Total Grants and Subsidies</b>	<b>516,112</b>	<b>361,888</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>41. GENERAL EXPENSES</b>		
Included in General Expenses are the following:		
Advertising	98,123	257,689
Assessment Rates and Municipal Charges	6,512,505	6,096,625
Audit Fees	1,802,466	2,397,315
Bank Charges	605,168	402,352
Branding of the Municipality	6,133	34,255
Cleaning Materials	157,893	157,126
Conference Fees	19,842	79,404
Driving License Fees	191,872	95,609
Electricity Rural Water Pumps	1,913,868	2,052,452
Entertainment	133,836	265,393
Festivals	(15,800)	-
Fuel and Oil	3,201,564	2,623,438
Grave Excavations	110,180	98,610
HR Employee Wellness	1,029,703	1,453,723
IDP Review	-	(11,500)
Insurance	881,011	831,225
Internal Audit	31,879	(8,784)
Legal Costs	206,367	196,438
Levies: SALGA	716,112	706,559
License Fees and Subscriptions	257,349	116,961
Lost due to theft	137,829	-
Motor Vehicle Expenses	97,630	155,942
Performance Appraisal	-	-
Printing and Stationery	1,027,806	1,682,485
Protective Clothing	192,644	292,258
Sundry Expenses	22,895	1,880,025
Strategic Planning Expenses	75,654	87,391
Telephone Cost	1,856,706	1,652,962
Tourism Strategy	-	16,709
Training Costs	50,412	50,218
Travelling and Subsistence	1,583,741	1,291,417
Water	122,697	39,586
Youth Development Programme	10,690	-
<b>Total General Expenses</b>	<b>23,228,377</b>	<b>25,045,849</b>
The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental charges are charged to other trading and economic services for support services rendered. During the current financial year, the municipality incurred a loss due to theft with break in worth R137 629, this amount is disclosed separately above.		
No other extra-ordinary expenses were incurred.		
<b>42. OTHER GAINS AND LOSSES</b>		
Change in Fair Value of Financial Assets designated as at FVTPL	2,725	(791)
Change in Fair Value of Investment Property	-	714,600
<b>Net Other Gains and Losses</b>	<b>2,725</b>	<b>713,809</b>
No other gains or losses have been recognised in respect of Loans and Receivables or Held-to-Maturity Investments, other than as disclosed in Note 12 and Impairment Losses recognised/reversed in respect of Trade Receivables (see Notes 4, 5 and 30).		
<b>43. GAINS / LOSSES ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>		
Proceeds on Sale of Assets	60,000	96,268
Assets Disposed at Carrying Value:	(409,572)	(369,448)
Cost of Disposed Assets	(801,500)	(2,213,275)
Accumulated Depreciation of Disposed Assets	391,928	1,838,157
Accumulated Impairment of Disposed Assets	-	5,670
<b>Total Gains / Losses on Disposal of Capital Assets</b>	<b>(349,572)</b>	<b>(273,078)</b>
<b>44. CHANGE IN ACCOUNTING POLICY</b>		
There were no changes in Accounting Policies for the current financial year.		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>45. CORRECTION OF ERROR</b>		
Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2017 and 30 June 2018. Details of the adjustments are as follows:		
<b>Statement of Financial Position:</b>		
Inventories	451,789	451,789
Receivables from Exchange Transactions	45,998,831	45,998,831
Receivables from Non-exchange Transactions	18,891,165	18,891,165
Cash and Cash Equivalents	10,702,493	10,702,493
Current Portion of Operating Lease Receivables	4,542	4,542
Property, Plant and Equipment	808,483,601	781,833,578
Intangible Assets	61,377	61,377
Investment Property	78,577,109	78,577,109
Heritage Assets	6,959,273	6,959,273
Non-current Investments	25,329	25,329
Long-term Receivables	1,489	1,489
Operating Lease Receivables	7,473	7,473
Consumer Deposits	(2,289,439)	(2,289,439)
Payables from Exchange Transactions	(45,958,926)	(42,937,518)
Payables from Non-exchange Transactions	(3,539,875)	(3,539,875)
Unspent Conditional Grants and Receipts	(3,857,622)	(3,857,622)
VAT Payable	(3,802,686)	(4,974,347)
Bank Overdraft	(7,918,255)	(7,254,599)
Current Portion of Long-term Liabilities	(3,433,193)	(3,433,193)
Current Portion of Retirement Benefit Liabilities	(1,510,647)	(1,510,647)
Long-term Liabilities	(4,702,175)	(4,702,175)
Employee Benefit Liabilities	(38,197,938)	(38,197,938)
Non-current Provisions	(42,731,906)	(8,012,647)
Accumulated Surplus - Opening Balance	(864,234,132)	(864,234,132)
Accumulated Surplus - Prior Period Error	7,739,858	
Accumulated Surplus - Surplus (Loss) for the Year	48,252,466	41,609,684
	<u>0</u>	<u>0</u>

**Statement of Financial Performance:**

Finance Cost	3,783,815
Repairs and maintenance	(1,896,098)
Service charges	455,897
Depreciation and amortisation	2,450,752
Impairment losses	348
Gains/losses with disposals of assets	(228,819)
General expenses	95,087
	<u>4,642,781</u>

The details of the reclassifications of correction of errors made are as follows:

**45.1 VAT Input not claimed in previous years**

The municipality obtained the services of OMA Chartered Accountants for revenue enhancement purposes. The amount of R1 058 987.92 was discovered to have not been claimed for input VAT for the periods 1 July 2012 to 30 June 2018.

The effect of the adjustment is as follows:

<b>Statement of Financial Position:</b>		
(Increase) / decrease in Accumulated Surplus	(1,058,988)	(1,058,988)
Increase / (decrease) in VAT Payable/Receivable	1,058,988	1,058,988
	<u>-</u>	<u>-</u>

**45.2 Finance cost incurred on overdue creditors account but never accounted for.**

The municipality incurred interest on their overdue Eskom account in the 2017 financial year, this was however not accounted for.

The effect of the adjustment is as follows:

<b>Statement of Financial Position:</b>		
(Increase) / decrease in Accumulated Surplus	918,023	-
(Increase) / decrease in Creditors from exchange transactions	(918,023)	(918,023)
	<u>-</u>	<u>-</u>
<b>Statement of Financial Performance:</b>		
Increase / (Decrease) in finance cost	-	918,023
	<u>-</u>	<u>-</u>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>45.3 Dept. Labour Invoices not previously accounted for.</b>		
The municipality incurred compensation fund expenditure in previous years which were never accounted for. This relates to the following financial years: 2010,2011,2013,2014,2015,2018		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	2,059,463	2,059,463
(Increase) / decrease in Creditors from exchange transactions	(2,059,463)	(2,059,463)
	<u>-</u>	<u>-</u>
<b>45.4 WIP additions previously allocated as expenditure</b>		
The municipality incurred expenditure capital in nature for project T1/2016 which was wrongfully allocated to repairs and maintenance.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(1,896,098)	-
Increase / (decrease) in Property, Plant & Equipment	1,896,098	1,896,098
Statement of Financial Performance:		
Increase / (Decrease) in repairs & maintenance	-	(1,896,098)
	<u>(0)</u>	<u>-</u>
<b>45.5 Allocation of pre-paid arrears payments from the unreconciled bank items</b>		
In the 2017 financial year, consumers paid amounts totalling R455,897.24 for their arrears accounts. This amount was paid over from Consour (the pre-paid electricity service provider) and was originally accounted for along with the other amounts received for pre-paid sales.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	455,897	-
Increase / (decrease) in cash and cash equivalents	(455,897)	(455,897)
Statement of Financial Performance:		
(Increase) / Decrease in service charges	-	455,897
	<u>-</u>	<u>-</u>
<b>45.6 Movements in the Fixed Asset Register</b>		
Whilst compiling the 2018 Fixed Asset Register (and subsequently the Annual Financial Statements) it came to light that retrospective corrections were needed to be made. These included the effect of assets being verified in the 2018 financial year which were already written off in the previous years as well as the effect of taking a more comprehensive approach with regards to calculations pertaining to the accounting for landfill sites.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(23,041,938)	(25,266,216)
Increase / (decrease) in PPE	23,041,938	23,041,836
Statement of Financial Performance:		
(Increase) / Decrease in gains with disposal of PPE	-	(226,819)
Increase / (Decrease) in depreciation and amortisation	-	2,450,752
Increase / (Decrease) in impairment losses	-	348
	<u>0</u>	<u>0</u>
<b>45.7 Expenditure previously wrongfully accounted for as PPE</b>		
Expenditure previously wrongfully accounted for as PPE:		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
Increase / (decrease) in PPE	(2,188)	(2,188)
(Increase) / decrease in Accumulated Surplus	2,188	2,188
	<u>-</u>	<u>-</u>
<b>45.8 Provision for landfill sites was wrongfully accounted for under PPE</b>		
Whilst compiling the 2017 AFS, a journal was written to account for prior 2017 movements in the landfill sites provision. This journal was written once against the long term provisions which were correct, but was written a second time against PPE which were incorrect. The prior period error relates to the journal posted against PPE.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	129,744	129,744
Increase / (decrease) in PPE	(129,744)	(129,744)
	<u>-</u>	<u>-</u>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>45.9 Accounting for movement in prior years Provision for Landfill Sites</b>		
During the 2016's calculation for provision for landfill site, the municipality noticed the provision made for prior years had changed due to amendments in the calculations thereof.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	35,633,936	31,873,667
Increase / (decrease) in Non Current Provisions	(35,633,936)	(34,719,259)
Statement of Financial Performance:		
Increase / (Decrease) in finance cost	-	2,845,592
	<u>                    </u>	<u>                    </u>
<b>45.10 Accounting for movement in prior years Provision for Landfill Sites</b>		
The municipality made a payment to SARS for the 2016/02 VAT return. This payment went through the bank but was never allocated from the unreconciled items of the bank account.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in VAT	112,672	112,672
Increase / (decrease) in Cash and cash equivalents	(112,672)	(112,672)
	<u>                    </u>	<u>                    </u>
<b>45.11 Retentions not accounted for previously</b>		
Retentions to the amount of R43,921.72 on contract T1/2016 in 2017 was not accounted for.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
Increase / (decrease) in PPE	43,922	43,922
(Increase) / decrease in Creditors from exchange transactions	(43,922)	(43,922)
	<u>                    </u>	<u>                    </u>
<b>45.12 Expenditure not cleared from unreconciled bank items.</b>		
During the 2017 financial year the municipality incurred expenses towards fleet cards and credit cards. These expenditure items were however never allocated.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	95,087	-
Increase / (decrease) in Cash and cash equivalents	(95,087)	(95,087)
Statement of Financial Performance:		
Increase / (Decrease) in General expenses	-	95,087
	<u>                    </u>	<u>                    </u>



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>46. CHANGE IN ESTIMATE</b>		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2018. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(1,198,967)	(828,394)
Increase / (Decrease) in Amortisation due to adjustments to Useful Lives of Intangible Assets	-	(874,679)
<b>Increase / (Decrease) in Depreciation of PPE</b>	<b>(1,198,967)</b>	<b>(1,503,073)</b>
Depreciation and Amortisation as previously stated	63,952,258	63,082,265
Adjustment due to Change in Accounting Estimate	(1,198,967)	(1,503,073)
<b>Depreciation and Amortisation as per Note 35</b>	<b>62,753,291</b>	<b>61,579,192</b>
<b>47. CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	(41,483,535)	(56,089,191)
Adjustment for:		
Depreciation and Amortisation	62,753,291	61,579,192
Impairment Losses on Property, Plant and Equipment	(344,099)	368,038
Losses / (Gains) on Disposal of Property, Plant and Equipment	349,572	273,079
Fair Value adjustment of Investment Property	-	(714,600)
Fair Value adjustment of Non-current Investment	(2,725)	791
Profit on Sale of Land	1,595,030	2,325
Contribution to Retirement Benefit Liabilities	212,717	(3,237,967)
Contribution to Non-current Provisions	4,204,621	35,701,799
Contribution to Long Service Awards Liability	-	-
Contribution to Impairment Provision	25,375,953	35,387,622
<b>Operating surplus before working capital changes</b>	<b>52,663,025</b>	<b>73,271,088</b>
Decrease / (Increase) in Inventories	(2,069)	(74,462)
Decrease / (Increase) in Receivables from Exchange Transactions	(11,548,564)	538,046
Decrease / (Increase) in Receivables from Non-exchange Transactions	2,803,648	(2,895,811)
Decrease / (Increase) in Operating Lease Assets	-	1,714
Increase / (Decrease) in Consumer Deposits	76,133	76,791
Increase / (Decrease) in Payables from Exchange Transactions	17,342,124	8,465,820
Increase / (Decrease) in Payables from Non-exchange Transactions	48,152	1,759,064
Increase / (Decrease) in Conditional Grants and Receipts	(167,915)	(1,138,854)
Increase / (Decrease) in Payables from VAT Payable	(380,843)	(945,088)
<b>Cash generated by / (utilised in) Operations</b>	<b>60,833,692</b>	<b>78,058,307</b>
<b>48. NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
During the 2018 financial year, the Municipality acquired R44 643 (2017: R9 487 458) of equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.		
<b>49. FINANCING FACILITIES</b>		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	(437,253)	(3,335,589)
- Amount unused / (Overspent)	2,437,253	5,335,589
	<b>2,000,000</b>	<b>2,000,000</b>
Unsecured Credit Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	50,000	50,000
	<b>50,000</b>	<b>50,000</b>
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	800,000	800,000
	<b>800,000</b>	<b>800,000</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>50. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities (See Note 19)	4,747,099	8,135,368
Used to finance Property, Plant and Equipment – all cost	(4,747,099)	(1,684,168)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

**51. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**51.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure		
Opening balance	78,893,986	238,890,706
Unauthorised Expenditure current year	39,350,163	78,893,986
Written off by Council	-	(238,890,706)
Unauthorised Expenditure awaiting authorisation	118,244,149	78,893,986

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded	Council to write off expenditure
Unknown - R32,180 (R0)	
Executive and Council - R2 483 844 (R1 486 418)	
Finance and Administration - R739 212 (R4 458 260)	
Planning and Development - R2 682 151 (R3 417 403)	
Community and Social Services - R5 839 781 (R 062 651)	
Roads and Transport - R0 (R5 712 714)	
Other - R337 853 (R726 738)	
Housing - R1 290 329 (R1 422 246)	
Waste Management - R12 070 258 (R7 667 873)	
Electricity - R13 564 816 (R23 169 329)	
Water - R0 (R29 256 578)	

**51.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	1,859,480	1,375,686
Fruitless and Wasteful Expenditure current year	2,674,660	1,859,480
Written off by Council	-	(1,375,686)
Fruitless and Wasteful Expenditure awaiting to be written off	4,534,140	1,859,480

Incident	Disciplinary Steps / Criminal Proceedings
Interest paid to Creditors on overdue accounts - R 2 674 660 (2017: R 1 859 480)	

**51.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:		
Opening balance	8,592,680	69,170,694
Irregular Expenditure current year	3,221,944	8,592,680
Written off by Council	-	(69,170,694)
Irregular Expenditure awaiting to be written off	11,814,624	8,592,680

Incident	Disciplinary Steps / Criminal Proceedings
The Irregular Expenditure identified was suspected and it can be categorised as follows:	Council to write off expenditure
The required number of quotations (3) were not obtained. These items were also not reported to council as a deviation during the financial year and is therefore irregular - R583 103	
Contracts were not in place for service providers. This amounted to irregular expenditure of R2 583 633	

The Municipality is still in process of ensuring the completeness of its Irregular Expenditure (as disclosed above), as this an on-going process.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R	
<b>S2. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>			
<b>S2.1 Contributions to organised local government - SALGA</b>			
Opening Balance	125,148	-	
Council Subscriptions	718,112	667,773	
Amount Paid - current year	(537,084)	(572,825)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (Included In Creditors)</b>	<b>306,176</b>	<b>125,148</b>	
<b>S2.2 Audit Fees</b>			
Opening Balance	-	-	
Current year Audit Fee	1,802,466	2,395,855	
Amount Paid - current year	(682,067)	(2,395,855)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (Included In Creditors)</b>	<b>1,120,399</b>	<b>-</b>	
<b>S2.3 VAT</b>			
The net of VAT input payables and VAT output receivables are shown in Note 19. All VAT returns have been submitted by the due date throughout the year.			
<b>S2.4 PAYE, Skills Development Levy and UIF</b>			
Opening Balance	(0)	-	
Current year Payroll Deductions	10,182,600	9,498,574	
Amount Paid - current year	(10,182,600)	(9,498,574)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (Included In Creditors)</b>	<b>(0)</b>	<b>(0)</b>	
<b>S2.5 Pension and Medical Aid Deductions</b>			
Opening Balance	-	-	
Current year Payroll Deductions and Council Contributions	15,880,823	15,239,898	
Amount Paid - current year	(15,880,823)	(15,239,898)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (Included In Creditors)</b>	<b>-</b>	<b>-</b>	
<b>S2.6 Councillor's arrear Consumer Accounts</b>			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
<b>30 June 2018</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Councillor Van Wyk PD	27,534	2,855	24,679
Councillor Hoffman SJ	5,714	2,185	3,529
Councillor Mthauli PP	12,121	1,937	10,184
Councillor Vanel D	11,350	1,624	9,726
Councillor Louw CJ	3,678	1,253	2,424
Councillor Faul RR	17,619	110	17,509
<b>Total Councillor Arrear Consumer Accounts</b>	<b>78,016</b>	<b>9,965</b>	<b>68,051</b>
<b>30 June 2017</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Councillor Van Wyk PD	35,900	3,862	32,039
Councillor Faul RR	16,283	1,530	14,753
Councillor Swanepoel B	14,194	527	13,667
Councillor Vanel D	14,258	1,383	12,866
Councillor Louw CJ	11,784	1,196	10,589
Councillor Swanepoel F	11,436	937	10,499
Councillor Mthauli PP	11,106	1,393	9,713
Councillor Nyl QL	10,598	1,911	8,688
Councillor Hoffman SJ	9,123	2,278	6,845
<b>Total Councillor Arrear Consumer Accounts</b>	<b>134,684</b>	<b>15,025</b>	<b>119,659</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
R

2017  
R

**52. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)**

During the year the following Councilors had arrears accounts outstanding for more than 90 days:

	Highest amount outstanding	Ageing
<b>30 June 2018</b>		
Councillor Van Wyk PD	30,010	> 90 days
Councillor Hoffman SJ	8,123	> 90 days
Councillor Mhlau PP	10,216	> 90 days
Councillor Vanol D	12,414	> 90 days
Councillor Louw CJ	9,958	> 90 days
Councillor Faul RR	17,582	> 90 days
	Highest amount outstanding	Ageing
<b>30 June 2017</b>		
Councillor Van Wyk PD	36,720	> 90 days
Councillor Louw CJ	17,344	> 90 days
Councillor Faul RR	18,283	> 90 days
Councillor Vanol D	18,068	> 90 days
Councillor Swanepoel B	14,767	> 90 days
Councillor Hoffman SJ	12,932	> 90 days
Councillor Swanepoel F	12,224	> 90 days
Councillor Mhlau PP	11,517	> 90 days
Councillor Nyl GL	10,888	> 90 days

**52.7 Non-Compliance with the Municipal Finance Management Act**

The Municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
General Responsibilities	7	52	(d)
Revenue Management	8	64	(3)
Monthly Budget Statements	8	71	(i) to (v)
Mid-year Budget and Performance Assessment	8	72	(1) to (3)
Information to be placed on Website of Municipalities	8	75	(1) to (2)
Supply Chain Management Policy to comply with Prescribed Framework	11	112	

**52.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bds where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Reasons	Month	Successful Bidder	One Quotation	Two Quotations	Total
Deviations for the month was largely due to the fact that services required was of specialized nature that could only be performed by one service provider. Other deviations occurred due to service providers who provided quotes, were not able to deliver all requirements.	July 2017	Various Suppliers	78 981	45 433	122,414.55
The biggest deviating factor for the month was due to timeframe constraints. The server required immediate attention and deviations occurred because of this. Other deviations were due to not all service providers who provided quotes being able to deliver on all requirements.	August 2017	Various Suppliers	172,721	40,509	213,229.51
Deviations pre-dominantly occurred due to the fact that services required were only able to be delivered by less than the required 3 service providers and thus less than 3 quotes were obtained.	September 2017	Various Suppliers	125 097	13,986	139,083.64
Deviations for the month was largely due to the fact that services required was of specialized nature that could only be performed by one service provider. Other deviations occurred due to service providers who provided quotes, were not able to deliver all requirements as well as time constraints on services required.	October 2017	Various Suppliers	89 178	6,422	105,598.15
Deviations for the month was largely due to the fact that services required was of specialized nature that could only be performed by one service provider. Other deviations occurred due to service providers who provided quotes, were not able to deliver all requirements as well as time constraints on services required.	November 2017	Various Suppliers	83 408	5,082	88,497.46
Deviations occurred due to the fact that not all service providers who quoted are registered on the CSD. In other instances less than 3 service providers provided quotes.	December 2017	Various Suppliers	84 643	5,928	100,570.78
None were identified	January 2018	N.A.	-	-	-
Deviations for the month was largely due to the fact that services required was of specialized nature that could only be performed by one service provider. Other deviations occurred due to service providers who provided quotes, were not able to deliver all requirements.	February 2018	Various Suppliers	145 815	-	145,815.29

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
R

2017  
R

**52. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)**

Reasons	Month	Successful Bidder	One Quotation	Two Quotations	Total
Contributing towards deviations for the month was the immediate repairs required to a service vehicle used in the electrical department. Other deviations occurred due to the specialized nature of the service required and the fact of service providers able to perform these services.	March 2018	Various Suppliers	217,888	4,900	222,187.71
Deviations occurred due to the fact that not all service providers who quoted are registered on the CSO. Other deviations are due to the fact the original service provider (i.e. the installers of the alarm systems) are the only ones able to repair it.	April 2018	Various Suppliers	81,212	8,500	89,712.48
The biggest contributing factor towards deviations for the month was due to an original bidder appointed to deliver a service putting out. This resulted in the timeframe of the required service becoming a problem due to the immediate requirement thereof. 2 quotes were received.	May 2018	Various Suppliers	61,362	194,707	276,068.82
Due to, amongst others, the slow delivery of some service providers, the municipality decided to deviate because the service was needed urgently.	June 2018	Various Suppliers	92,655	29,371	122,226.20

**52.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA**

Material Electricity and Water Losses were as follows and are not recoverable:

**Electricity:**

		Lost Units	Tariff	Value
30 June 2018	Unaccounted Electricity Losses	15 066 448	0.9762	14,707,508
30 June 2017	Unaccounted Electricity Losses	11 423 590	0.9700	11,060,882

Electricity Losses occur due to inter alia, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

**Volumes in kWh/year:**

System Input Volume	58,769,142	58,223,924
Billed Consumption	43,702,694	46,800,334
Unaccounted	15,066,448	11,423,590
Normal distribution losses - % of electricity purchases	(4,701,531)	(4,657,914)
Distribution Loss	10,364,917	6,765,676
Percentage Distribution Loss	17.64%	11.62%

**Water:**

		Lost Units	Tariff	Value
30 June 2018	Unaccounted Water Losses	904,348	1.0739	971,160
30 June 2017	Unaccounted Water Losses	712,371	1.0077	717,856

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

**53. COMMITMENTS FOR EXPENDITURE**

**53.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

• Approved and Contracted for:-  
Infrastructure

15,063,352	7,074,473
15,063,352	7,074,473

Total Capital Commitments

15,063,352	7,074,473
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This expenditure will be financed from:

Government Grants  
Own Resources

15,063,352	7,074,473
-	-

15,063,352	7,074,473
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**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
R

2017  
R

**53. COMMITMENTS FOR EXPENDITURE (continued)**

**53.2 Lease Commitments**

Non-cancelable Operating Lease Commitments are disclosed in Note 7.

**53.3 Other Commitments**

The Municipality has entered into a contract with E-Valuations for the completion of the valuation roll and supplementary valuation rolls and the maintenance of all properties in the municipal areas of jurisdiction for the financial 1 July 2017 to 30 June 2022. At year-end, the remaining contract value amounted to R166 343 (2017: R166 343).

The Municipality furthermore entered into a contract with OMA Chartered Accountants for the review and identification of possible VAT savings. To date no savings have been claimed and the Municipality does not have any outstanding commitment in respect to the contractor.

The Municipality has entered into a contract with Ignite Advisory Services for the Performance management system in Emthanjeni Municipality. At year-end, the remaining contract value amounted to R0 (2017: R53 363).

The municipality has entered into a contract with PBCT Media and Publishing (Pty) Ltd for the performing of the employee wellness program. At year-end, the remaining contract value was R5,387,908 (2017: R0).

**54. FINANCIAL INSTRUMENTS**

**54.1 Classification**

**FINANCIAL ASSETS:**

In accordance with GRAP 104.13 the Financial Assets of the Municipality are classified as follows:

Financial Assets	Classification		
<b>Non-current Investments</b>			
Listed Investments	Fair value	28 054	25 329
<b>Long-term Receivables</b>			
Other Loans	Amortised cost	1 601	1 489
<b>Receivables from Exchange Transactions</b>			
Electricity	Amortised cost	12 679 149	10 912 553
Refuse	Amortised cost	4 628 049	4 865 818
Town Commonage	Amortised cost	26 292	55 583
Rental of municipal buildings	Amortised cost	76 361	60 068
Sewerage	Amortised cost	10 435 671	9 333 335
Water	Amortised cost	29 624 777	20 681 965
Other Receivables	Amortised cost	77 097	89 511
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	5 725 672	6 550 291
Payments made in Advance	Amortised cost	-	-
Sundry Deposits	Amortised cost	980 695	985 765
Sundry Debtors	Amortised cost	7 381 150	9 355 110
<b>Cash and Cash Equivalents</b>			
Call Deposits	Amortised cost	4 066 812	77 092
Notice Deposits	Amortised cost	6 482 603	9 610 662
Bank Balances	Amortised cost	274 347	1 012 139
Cash Floats and Advances	Fair value	2 690	2 600
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Long-term Receivables	Other Loans	1 601	1 489
<b>Receivables from Exchange Transactions</b>			
Receivables from Exchange Transactions	Electricity	12 679 149	10 912 553
Receivables from Exchange Transactions	Refuse	4 628 049	4 865 818
Receivables from Exchange Transactions	Sewerage	10 435 671	9 333 335
Receivables from Exchange Transactions	Town Commonage	26 292	55 583
Receivables from Exchange Transactions	Rental of municipal buildings	76 361	60 068
Receivables from Exchange Transactions	Water	29 624 777	20 681 965
Receivables from Exchange Transactions	Other Debtors	77 097	89 511
<b>Receivables from Non-exchange Transactions</b>			
Receivables from Non-exchange Transactions	Assessment Rates Debtors	5 725 672	6 550 291
Receivables from Non-exchange Transactions	Payments made in Advance	-	-
Receivables from Non-exchange Transactions	Sundry Deposits	980 695	985 765
Receivables from Non-exchange Transactions	Sundry Debtors	7 381 150	9 355 110

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

		2018 R	2017 R
<b>54. FINANCIAL INSTRUMENTS (continued)</b>			
Cash and Cash Equivalents	Cash Deposits	4,066,612	77,092
Cash and Cash Equivalents	Notice Deposits	8,482,803	9,610,662
Cash and Cash Equivalents	Bank Balances	274,347	1,012,139
		<u>84,460,074</u>	<u>73,591,378</u>
Financial Assets at Fair Value:			
Non-current Investments	Listed Investments	28,054	25,329
Cash and Cash Equivalents	Cash Floats and Advances	2,690	2,600
		<u>30,744</u>	<u>27,929</u>
<b>Total Financial Assets</b>		<u><b>84,490,818</b></u>	<u><b>73,619,307</b></u>
<b>FINANCIAL LIABILITIES:</b>			
In accordance with GRAP 104.13 the Financial Liabilities of the Municipality are classified as follows:			
<b>Financial Liabilities</b>	<b>Classification</b>		
Long-term Liabilities			
Finance Leases	Amortised cost	1,013,267	4,702,175
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	9,173,664	3,097,563
Payments Received in Advance	Amortised cost	5,403,724	5,781,291
Retentions	Amortised cost	2,022,706	662,859
Staff Bonuses	Amortised cost	2,340,968	2,291,457
Sundry Deposits	Amortised cost	337,652	321,751
Other Creditors	Amortised cost	18,451,627	11,191,946
Salary Control Account	Amortised cost	(4,459)	(966)
Accrued Leave	Amortised cost	6,747,346	5,715,647
Payables from Non-exchange Transactions			
Payments Received in Advance	Amortised cost	3,588,027	3,539,875
Bank Overdraft			
Bank Overdraft	Amortised cost	(9,882,893)	(7,918,255)
Current Portion of Long-term Liabilities			
Finance Leases	Amortised cost	(3,733,833)	(3,433,193)
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Leases	1,013,267	4,702,175
Payables from Exchange Transactions	Trade Creditors	9,173,664	3,097,563
Payables from Exchange Transactions	Payments Received in Advance	5,403,724	5,781,291
Payables from Exchange Transactions	Retentions	2,022,706	662,859
Payables from Exchange Transactions	Staff Bonuses	2,340,968	2,291,457
Payables from Exchange Transactions	Sundry Deposits	337,652	321,751
Payables from Exchange Transactions	Other Creditors	18,451,627	11,191,946
Payables from Exchange Transactions	Salary Control Account	(4,459)	(966)
Payables from Exchange Transactions	Accrued Leave	6,747,346	5,715,647
Payables from Non-exchange Transactions	Payments Received in Advance	3,588,027	3,539,875
Bank Overdraft	Bank Overdraft	(9,882,893)	(7,918,255)
Current Portion of Long-term Liabilities	Finance Leases	(3,733,833)	(3,433,193)
		<u>35,457,796</u>	<u>25,952,151</u>
<b>Total Financial Liabilities</b>		<u><b>35,457,796</b></u>	<u><b>25,952,151</b></u>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
R

2017  
R

**54. FINANCIAL INSTRUMENTS (continued)**

**54.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Long-term Investments**

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the Municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties as well as the current payment ratios of the Municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2018, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the Municipality have been reclassified during the year.

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

**Level 1:-**

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

**Level 2:-**

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Level 3:-**

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018			2017
	R			R
54. FINANCIAL INSTRUMENTS (continued)				
30 June 2018	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	28,054	-	-	28,054
Cash and Cash Equivalents	-	2,690	-	2,690
Total Financial Assets	28,054	2,690	-	30,744
Total Financial Instruments	28,054	2,690	-	30,744
30 June 2017	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	25,329	-	-	25,329
Cash and Cash Equivalents	-	2,600	-	2,600
Total Financial Assets	25,329	2,600	-	27,929
Total Financial Instruments	25,329	2,600	-	27,929

**54.3 Capital Risk Management**

The Municipality manages its capital to ensure that the Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2010.

The capital structure of the Municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 19, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22 and the Statement of Changes in Net Assets.

**Gearing Ratio**

In terms of the Municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95.00%, reducing 90.00%. This aggressive ratio is as a result of the development challenges faced by the Municipality. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

Debt	4,747,099	8,135,368
Cash and Cash Equivalents	2,943,359	2,784,237
<b>Net Debt</b>	<b>7,690,458</b>	<b>10,919,605</b>
Equity	768,758,272	810,241,808
<b>Net debt to equity ratio</b>	<b>1.00%</b>	<b>1.35%</b>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**54.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017
	R	R

**54. FINANCIAL INSTRUMENTS (continued)**

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**54.5 Significant Risks**

It is the policy of the Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the Municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the Municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 56.8 to the Annual Financial Statements.

**54.6 Market Risk**

The Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 56.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

**54.6.1 Foreign Currency Risk Management**

The Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
R

2017  
R

**54. FINANCIAL INSTRUMENTS (continued)**

**54.6.2 Interest Rate Risk Management**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality is not exposed to credit interest rate risk as the Municipality has no borrowings.

The Municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 56.9 below:

**Cash and Cash Equivalents**

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Municipality's:

Surplus for the year ended 30 June 2018 would have increased / decreased by R287 (2017: R257). This is mainly attributable to the Municipality's exposure to interest rates on its variable rate investments.

**54.7 Credit Risk Management**

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses its own trading records to assess its major customers. The Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments Bank, Cash and Cash Equivalents**

The Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The Municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently the Municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>54. FINANCIAL INSTRUMENTS (continued)</b>		
<p>The Municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:</p> <ul style="list-style-type: none"> <li>• The application of section 118(3) of the Municipal Systems Act (MSA), which permits the Municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;</li> <li>• A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;</li> <li>• The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;</li> <li>• The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;</li> <li>• Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.</li> </ul> <p>There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of instruments, and is not concentrated in any particular sector or geographical area.</p> <p>The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.</p> <p>Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.</p> <p>Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.</p> <p>The Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.</p> <p>The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:</p>		
Fixed Deposit Investments	28 054	25 329
Long-term Receivables	1 601	1 489
Receivables from Exchange Transactions	57 547 395	45 998 831
Receivables from Non-exchange Transactions	14 087 517	18 891 165
Bank, Cash and Cash Equivalents	2 940 869	2 781 637
<b>Maximum Credit and Interest Risk Exposure</b>	<b>74 605 236</b>	<b>65 088 452</b>
<p>The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:</p>		
<b>Consumer Debtors:</b>	<b>%</b>	<b>%</b>
- Household	88.36%	85.35%
- Industrial / Commercial	4.84%	5.65%
- National and Provincial Government	6.80%	9.00%
- Other Classes	0.00%	0.00%
<b>Total Credit Risk</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Bank and Cash Balances</b>		
ABSA Bank Ltd	(1 350 430)	2 574 517
First National Bank	2 344	2 592
Nedbank	144 054	42 834
Standard Bank	250 544	154 443
Cash Equivalents	2 690	2 600
<b>Total Bank and Cash Balances</b>	<b>(950 798)</b>	<b>2 776 786</b>
<b>Credit quality of Financial Assets:</b>		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>54. FINANCIAL INSTRUMENTS (continued)</b>		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
Long-term Receivables		
Group 1	1,501	1,489
<b>Total Long-term Receivables</b>	<b>1,501</b>	<b>1,489</b>
Receivables from Exchange Transactions		
Counterparties without external credit rating		
Group 1	3,915,667	4,138,884
Group 2	53,631,728	41,859,948
Group 3	91,170,597	82,844,883
	<u>148,717,992</u>	<u>128,843,715</u>
<b>Total Receivables from Exchange Transactions</b>	<b>148,717,992</b>	<b>128,843,715</b>
Receivables from Non-exchange Transactions		
Group 1	2,889,190	4,188,438
Group 2	2,836,481	2,361,651
Group 3	35,565,794	25,040,996
<b>Total Receivables from Non-exchange Transactions</b>	<b>41,291,465</b>	<b>31,591,085</b>

**Credit quality Groupings:**

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

# **EMTHANJENI LOCAL MUNICIPALITY** **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

## **55. FINANCIAL INSTRUMENTS (Continued)**

### **55.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 50 is a listing of additional undrawn facilities that the Municipality has at its disposal to further reduce liquidity risk (cash).

### **Liquidity and Interest Risk Tables**

The Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate %	Total R	6 Months or less R	6 - 12 Months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R
<b>30 June 2018</b>								
Non-interest Bearing								
- Payables from Exchange transactions	15	0.00%	63,301,050	63,301,050				
- Payables from Non-exchange transactions	16	0.00%	3,568,027	3,568,027				
Variable Interest Rate Instruments								
- Bank Overdraft	5	9.50%	15,234,383	12,017,636	2,134,743	1,065,602	16,402	-
- Fintec	19	Various	9,882,893	9,882,893	-	-	-	-
- Absa Vehicle Management Solutions	19	Various	210,136	105,068	105,068	-	-	-
- Tshimologong Technologies	19	124.44%	4,999,980	1,999,992	1,999,992	999,998	-	-
			141,373	29,883	29,883	65,606	16,401.53	-
			<b>15,234,383</b>	<b>12,017,636</b>	<b>2,134,743</b>	<b>1,065,602</b>	<b>16,402</b>	<b>-</b>
<b>30 June 2017</b>								
Non-interest Bearing								
- Payables from Exchange transactions	15	0.00%	46,477,393	46,477,393	-	-	-	-
- Payables from Non-exchange transactions	16	0.00%	42,937,518	42,937,518	-	-	-	-
Variable Interest Rate Instruments								
- Bank Overdraft	5	9.50%	17,433,605	9,496,817	2,242,218	4,463,043	1,231,526	-
- Fintec	19	Various	7,254,599	7,254,599	-	-	-	-
- Absa Vehicle Management Solutions	19	Various	1,179,041	242,226	242,226	463,059	231,530	-
			8,999,965	1,999,992	1,999,992	3,999,984	999,996.06	-
			<b>63,910,998</b>	<b>55,974,210</b>	<b>2,242,218</b>	<b>4,463,043</b>	<b>1,231,526</b>	<b>-</b>

The Municipality has access to financing facilities, the total unused amount which is R2,437,253 (2017: R121,265), at the reporting date. The Municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Municipality expects to maintain current debt to equity ratio. This will be achieved through increased service level charges and the increased use of unsecured bank loan facilities.

### **55.9 Other Price Risks**

The Municipality is not exposed to equity price risks arising from equity investments as the Municipality does not trade these investments.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018	2017
R	R

**55. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R8 158 283 (2016: R8 305 802) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED CONTRIBUTION SCHEMES**

**Cape Joint Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the investment reserve of the fund amounted to R1,967 (30 June 2012: R0) million, with a funding level of 99.7% (30 June 2012: 99.4%). The contribution rate paid by the members (9.00%) and the municipalities (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

**Cape Joint Retirement Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R18,322 (30 June 2014: R17,212 million, with funding levels of 112.1% and 100.0% (30 June 2014: 112.6% and 99.9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7.50%) and the municipalities (19.50%) is sufficient to fund the benefits accruing

**Municipal Councillors Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R1 310,754 (30 June 2009: R1 357,463) million. The contribution rate paid by the members (13.75%) and the municipalities (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018                      2017  
R                              R

**55. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continued)**

**SALA Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R10 439.2 (30 June 2012: R8 753.4) million, with funding levels of 100.0% (30 June 2012: 100.0%). The contribution rate paid by the members (8.6%) and Council (20.78%) is sufficient to fund the benefits accruing from the fund in the future.

**SAMWU Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R2 445.9 (30 June 2005: R1 511.5) million, with funding levels of 100.0% (30 June 2009: 100.0%). The contribution rate paid by the members (7.50%) and Council (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

**56. RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**56.1 Interest of Related Parties**

Councillors and/or management of the municipality had relationships with businesses during the financial period as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Manuel MF	Director: Chief Financial Officer	Institute of Municipal Finance Officers (section 21 company)
Manuel MF	Director: Chief Financial Officer	Director - Qala Kancini Consultants
Jack JP	Director: Chief Financial Officer	Director - Qrs Ambulance Services
Apples CP	Director: Community Services	Director - Kca Trading Enterprise
Visser I	Municipal Manager	Director - Siyathemba Social Projects Development
Maramba MO	Councillor	Director - M And M Labour Solutions
Mhlau PP	Councillor	Director - Ncedisa Bakery Primary Co-Operative Limited

**56.2 Services rendered to Related Parties**

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Sundry Charges R	Service Charges R	Total Charges R
<b>For the Year ended 30 June 2018</b>				
Councillors	38,690	9,308	89,257	137,254
Municipal Manager and Section 57 Personnel	32,073	47,043	9,364	88,480
<b>Total Services</b>	<b>70,763</b>	<b>56,350</b>	<b>98,620</b>	<b>225,734</b>
<b>For the Year ended 30 June 2017</b>				
Councillors	34,173	7,449	79,769	121,391
Municipal Manager and Section 57 Personnel	17,272	77,189	8,643	103,104
<b>Total Services</b>	<b>51,445</b>	<b>84,637</b>	<b>88,412</b>	<b>224,495</b>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**56.3 Loans granted to Related Parties**

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

**56.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>56. RELATED PARTY TRANSACTIONS (continued)</b>		
<i>56.5 Purchases from Related Parties</i>		
The Municipality did not buy goods from any companies which can be considered to be Related Parties.		
<b>57. CONTINGENT LIABILITIES</b>		
<b>Department of Safety and Liaison: Motor Registration Fees</b>	<b>1,355,739</b>	<b>1,355,739</b>
The Municipality received correspondence in 2017 from the Department of Safety and Liaison (DSL) informing us that the Municipality owes the DSL outstanding amounts for Motor Registration Fees. The amount that DSL claims that the Municipality owes, amounted to R1 355 739.		
The Municipality is disputing this claim as it has made regular and continuous payments to the DSL. Motor registration fees were deposited directly into the bank account of DSL.		
The Chief Financial Officers and delegations of both the EM and DSL met and previously agreed that a proper investigation should be conducted into these claims of outstanding fees.		
In the 2017 financial year, after thorough calculations and reconciliations performed for the year by the municipality and scrutinizing correspondence received from the DSL, it came to light that there is still a difference between the two parties relating to the amount felt that is owed at year-end. The municipality is putting reliance on their calculation and support as well as the fact that to date the DSL has not made their calculations available for scrutiny. The difference between the two amounts felt still outstanding by respective parties (R1 137 668) is thus disclosed as a contingent liability, pending a formal investigation.		
<b>Telkom SA Limited</b>	<b>35,568</b>	<b>35,568</b>
The Municipality has been summonsed for an amount of R35 568 plus interest at 15.5% per annum. The Municipality is busy addressing this matter.		
<b>Katy Sigonyela</b>	<b>50,000</b>	<b>50,000</b>
The Municipality is being sued by the abovementioned plaintiff for a erf paid for, but never transferred. The erf in question is Erf 405, Nonzwakazi. The Municipality is still investigating the matter.		
<b>Fujitsu</b>	<b>244,672</b>	<b>-</b>
The Municipality is being sued by the abovementioned plaintiff for licence fees. At year-end the municipality was still in conversation with Fujitsu with a possible conclusion nearing.		
<b>Actophambili Roads (Pty) Ltd</b>	<b>630,267</b>	<b>-</b>
The Municipality is being sued by the abovementioned plaintiff for professional fees delivered regarding a capital project. The Municipality is still investigating the matter.		
<b>58. CONTINGENT ASSETS</b>		
The Municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.		
<b>59. IN-KIND DONATIONS AND ASSISTANCE</b>		
The Municipality did not receive any In-kind Donations and Assistance during the year under review.		
<b>60. PRIVATE PUBLIC PARTNERSHIPS</b>		
The Municipality was not a party to any Private Public Partnerships during the year under review.		
<b>61. EVENTS AFTER THE REPORTING DATE</b>		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2018.		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

<b>2018</b>	<b>2017</b>
<b>R</b>	<b>R</b>

**62. COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 45) and Prior Period Errors (Note 46).

**63. GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

(i) The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(ii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iii) As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018**

Details	Original Loan Amount R	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2017 R	Received during the Period R	Redeemed/ Written Off during Period R	Balance at 30 June 2018 R
<b>FINANCE LEASES</b>								
Fintech	1,156,171	Various	Various	2018/12/01	618,887	-	417,051	201,836
Absa Vehicle Management Solutions	9,497,458	Various	Various	2019/09/01	7,516,481	-	3,016,142	4,500,339
Tshimologong Technologies	44,643	124.44%	D1380	2020/09/01	-	44,643	(281)	44,324
Total Finance Leases	10,698,272				8,135,368	44,643	3,432,912	4,702,175
<b>TOTAL EXTERNAL LOANS</b>	<b>10,698,272</b>				<b>8,135,368</b>	<b>44,643</b>	<b>3,432,912</b>	<b>4,702,175</b>

**FINANCE LEASES:**

**Fintech Loans (Various):**

Structured secured 3 year finance leases for the purchase of IT equipment. Original finance lease amount of R1 156 171 and is repayable monthly in fixed instalments of capital and fixed rate interest (15.53%) of R40 371 .

**Absa Vehicle Management Solutions Finance Lease (Various):**

Structured secured 3 year finance leases for the lease of motor vehicles. Original finance lease amount of R9 497 456 and is repayable monthly in fixed instalments of capital and fixed rate interest (ranging from 7.93% to 26)% of approximately R282 997.

**Tshimologong Technologies**

Structured secured 3 year finance leases for the lease of motor vehicles. Original finance lease amount of R44 643 and is repayable monthly in fixed instalments of capital and fixed rate interest 124.44% of approximately R5 077.54.

**Note:** The rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance
Land and Buildings										
Land	13,637,216	-	-	-	(9,630)	13,627,586	-	-	-	-
Buildings	205,332,202	-	-	235,000	-	205,567,202	106,241,427	5,529,359	-	111,770,785
<b>Total</b>	<b>219,189,418</b>	<b>-</b>	<b>-</b>	<b>235,000</b>	<b>(9,630)</b>	<b>219,394,788</b>	<b>106,241,427</b>	<b>5,529,359</b>	<b>-</b>	<b>111,770,785</b>
Infrastructure										
Electricity	192,681,361	12,409,028	-	-	-	205,090,390	129,928,580	4,895,663	-	134,824,443
Electricity Network										
Roads	1,249,408,799	13,547,643	-	13,262,236	-	1,275,218,719	808,904,195	20,344,273	-	835,248,468
Roads and Stormwater Network										
Solid Waste	39,462,241	-	-	-	-	39,462,241	6,214,861	2,969,728	-	9,204,589
Landfill Sites										
Sanitation	108,317,649	1,141,235	-	3,813,478	-	113,272,362	71,550,924	3,374,421	-	74,925,345
Sewer Network										
Water	312,390,995	480,996	-	5,558,377	-	318,430,368	231,452,195	14,635,919	-	246,098,114
Water Network										
<b>Total</b>	<b>1,801,281,046</b>	<b>27,578,643</b>	<b>-</b>	<b>22,634,091</b>	<b>-</b>	<b>1,851,474,078</b>	<b>1,248,060,756</b>	<b>52,240,203</b>	<b>-</b>	<b>1,300,300,959</b>
Leased Assets										
Office Equipment	1,156,171	44,643	-	-	-	1,200,814	602,698	397,744	-	1,000,642
Motor Vehicles	9,497,458	-	-	-	-	9,497,458	2,663,305	3,165,819	-	5,029,124
<b>Total</b>	<b>10,653,829</b>	<b>44,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,698,272</b>	<b>3,266,003</b>	<b>3,563,563</b>	<b>-</b>	<b>8,428,708</b>
Other Assets										
Computer Equipment	2,424,667,38	778,880,86	-	-	-	3,185,193,28	1,894,177,53	257,393,54	-	2,142,411,60
Computer Hardware Including Operating Systems										
Furniture And Office Equipment										
Advertising Boards	3,344,840,67	-	-	-	-	3,344,840,67	1,674,932,39	223,038,50	-	1,897,970,88
Air Conditioners Individual Fixed and Movable	472,096,43	13,060,00	-	-	-	485,156,43	357,922,27	25,624,63	-	377,899,29
Domestic and Hostel Furniture	50,426,00	-	-	-	-	50,426,00	43,464,63	2,106,99	-	44,241,34
Furnitures and Fittings	465,248,60	-	-	-	-	465,248,60	378,152,21	15,643,22	-	325,865,92
Office Equipment including Fax Machines	816,089,50	145,548,20	-	-	-	961,637,70	660,017,42	35,030,42	-	874,228,34
Office Furniture	3,113,831,00	-	-	-	-	3,113,831,00	2,480,704,81	121,779,72	-	2,521,865,50
<b>Total</b>	<b>10,653,829</b>	<b>44,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,698,272</b>	<b>3,266,003</b>	<b>3,563,563</b>	<b>-</b>	<b>8,428,708</b>
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<b>Total</b>	<b>10,653,829</b>	<b>44,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,698,272</b>	<b>3,266,003</b>	<b>3,563,563</b>	<b>-</b>	<b>8,428,708</b>
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Furnitures and Fittings	465,248,60	-	-	-	-	465,248,60	378,152,21	15,643,22	-	325,865,92
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Office Furniture	3,113,831,00	-	-	-	-	3,113,831,00	2,480,704,81	121,779,72	-	2,521,865,50
<b>Total</b>	<b>10,653,829</b>	<b>44,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,698,272</b>	<b>3,266,003</b>	<b>3,563,563</b>	<b>-</b>	<b>8,428,708</b>
Other Assets										
Computer Equipment	2,424,667,38	778,880,86	-	-	-	3,185,193,28	1,894,177,53	257,393,54	-	2,142,411,60
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Office Furniture	3,113,831,00	-	-	-	-	3,113,831,00	2,480,704,81	121,779,72	-	2,521,865,50
<b>Total</b>	<b>10,653,829</b>	<b>44,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,698,272</b>	<b>3,266,003</b>	<b>3,563,563</b>	<b>-</b>	<b>8,428,708</b>
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Computer Equipment	2,424,667,38	778,880,86	-	-	-	3,185,193,28	1,894,177,53	257,393,54	-	2,142,411,60
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<b>Total</b>	<b>10,653,829</b>	<b>44,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,698,272</b>	<b>3,266,003</b>	<b>3,563,563</b>	<b>-</b>	<b>8,428,708</b>
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Computer Equipment	2,424,667,38	778,880,86	-	-	-	3,185,193,28	1,894,177,53	257,393,54	-	2,142,411,60
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<b>Total</b>	<b>10,653,829</b>	<b>44,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,698,272</b>	<b>3,266,003</b>	<b>3,563,563</b>	<b>-</b>	<b>8,428,708</b>
Other Assets										
Computer Equipment	2,424,667,38	778,880,86	-	-	-	3,185,193,28	1,894,177,53	257,393,54	-	2,142,411,60
Computer Hardware Including Operating Systems										
Furniture And Office Equipment										
Advertising Boards	3,344,840,67	-	-	-	-	3,344,840,67	1,674,932,39	223,038,50	-	1,897,970,88
Air Conditioners Individual Fixed and Movable	472,096,43	13,060,00	-	-	-	485,156,43	357,922,27	25,624,63	-	377,899,29
Domestic and Hostel Furniture	50,426,00	-	-	-	-	50,426,00	43,464,63	2,106,99	-	44,241,34
Furnitures and Fittings	465,248,60	-	-	-	-	465,248,60	378,152,21	15,643,22	-	325,865,92
Office Equipment including Fax Machines	816,089,50	145,548,20	-	-	-	961,637,70	660,017,42	35,030,42	-	874,228,34
Office Furniture	3,113,831,00	-	-	-	-	3,113,831,00	2,480,704,81	121,779,72	-	2,521,865,50
<b>Total</b>	<b>10,653,829</b>	<b>44,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,698,272</b>	<b>3,266,003</b>	<b>3,563,563</b>	<b>-</b>	<b>8,428,708</b>
Other Assets										
Computer Equipment	2,424,667,38	778,880,86	-	-	-	3,185,193,28	1,894,177,53	257,393,54	-	2,142,411,60
Computer Hardware Including Operating Systems										
Furniture And Office Equipment										
Advertising Boards	3,344,840,67	-	-	-	-	3,344,840,67	1,674,932,39	223,038,50	-	1,897,970,88
Air Conditioners Individual Fixed and Movable	472,096,43	13,060,00	-	-	-	485,156,43	357,922,27	25,624,63	-	377,899,29
Domestic and Hostel Furniture	50,426,00	-	-	-	-	50,426,00	43,464,63	2,106,99	-	44,241,34
Furnitures and Fittings	465,248,60	-	-	-	-	465,248,60	378,152,21	15,643,22	-	325,865,92
Office Equipment including Fax Machines	816,089,50	145,548,20	-	-	-	961,637,70	660,017,42	35,030,42	-	874,228,34
Office Furniture	3,113,831,00	-	-	-	-	3,113,831,00	2,480,704,81	121,779,72	-	2,521,865,50
<b>Total</b>	<b>10,653,829</b>	<b>44,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,698,272</b>	<b>3,266,003</b>	<b>3,563,563</b>	<b>-</b>	<b>8,428,708</b>
Other Assets										
Computer Equipment	2,424,667,38	778,880,86	-	-	-	3,185,193,28	1,894,177,53	257,393,54	-	2,142,411,60
Computer Hardware Including Operating Systems										
Furniture And Office Equipment										
Advertising Boards	3,344,840,67	-	-	-	-	3,344,840,67	1,674,932,39	223,038,50	-	1,897,970,88
Air Conditioners Individual Fixed and Movable	472,096,43	13,060,00	-	-	-	485,156,43	357,922,27	25,624,63	-	377,899,29
Domestic and Hostel Furniture	50,426,00	-	-	-	-	50,426,00	43,464,63	2,106,99	-	

# EMTHANJENI LOCAL MUNICIPALITY

## APPENDIX B

### ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Disposals	Closing Balance
Machinery and Equipment	213,699.23	22,125.00	-	-	-6,050.88	229,773.36	119,773.62	22,387.00	137,793.14
Audiovisual Equipment	132,674.58	11,885.96	-	-	-2,183.21	142,377.33	102,035.76	8,200.19	108,231.69
Domestic Equipment (Non Kitchen Appliances)	41,488.00	-	-	-	-9,872.00	31,616.00	33,748.89	1,525.29	26,560.25
Fire Arms	55,105.00	-	-	-	-4,000.00	51,105.00	47,246.88	1,000.50	44,659.95
Gardening Equipment	154,326.91	-	-	-	-	154,326.91	125,208.52	3,772.74	133,053.28
Kitchen Appliances	166,491.24	-	-	-	-190.00	166,301.24	118,006.32	9,243.47	127,878.78
Laboratory Equipment Agricultural	9,300.00	-	-	-	-	9,300.00	7,439.83	372.07	1,861.90
Laboratory Equipment Medical Testing	10,872.70	-	-	-	-	10,872.70	7,082.00	957.18	8,039.18
Machines For Textile Production	1,293.00	-	-	-	-	1,293.00	1,128.33	156.77	1,144.00
Medical and Allied Equipment	25,031.84	-	-	-	-13,927.58	11,104.26	19,914.69	1,202.78	21,117.47
Meters Prepaid	19,027.58	-	-	-	-	19,027.58	16,947.11	402.63	4,905.71
Music Instruments	130,000.00	-	-	-	-	130,000.00	92,569.32	5,384.66	98,053.98
Pumps, Plumbing, Purification, Sanitation and Allied Equipment	60,368.36	-	-	-	-	60,368.36	52,956.70	1,341.29	54,297.88
Radio Equipment	100,884.78	-	-	-	-	100,884.78	51,272.11	10,902.99	62,175.10
Road Construction and Maintenance Equipment	4,998,440.63	-	-	-	-	4,998,440.63	2,773,182.26	311,704.03	3,084,886.30
Security and Access Control Units	129,178.92	-	-	-	-	129,178.92	73,687.56	8,337.36	82,024.92
Telecommunication Equipment	528,893.95	-	-	-	-	528,893.95	472,655.95	1,060.19	473,736.14
Workshop Equipment and Loose Tools Fixed	38,335.00	2,014.04	-	-	-	40,349.04	30,576.29	1,562.19	32,138.48
Workshop Equipment and Loose Tools Movable	894,482.29	-	-	-	-4,262.55	890,219.74	707,712.78	36,579.48	742,278.57
Transport Assets									
Bicycles	2,400.00	-	-	-	-	2,400.00	2,400.00	-	2,400.00
Motor Vehicles	3,575,857.57	604,706.03	-	-	-520,906.57	3,659,656.63	1,839,587.77	143,740.44	1,482,401.24
Trailers and Accessories	233,020.57	-	-	-	-	233,020.57	114,300.59	4,134.56	118,435.15
Trucks	4,972,539.65	-	-	-	-	4,972,539.65	2,111,192.84	108,807.00	2,218,999.84
Total	27,191,112	1,578,220	-	-	(601,500)	27,867,832	16,425,950	1,362,971	17,038,654
Total	2,158,275,204	29,201,808	-	22,869,091	(811,130)	2,200,534,972	1,373,994,336	82,698,093	1,433,940,164

### ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2018

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Disposals	Closing Balance
Heritage									
Historic buildings	5,634,573	-	-	-	-	5,634,573	-	-	5,634,573
Collectables and other	475,500	-	-	-	-	475,500	-	-	475,500
Jewellery	849,200	-	-	-	-	849,200	-	-	849,200
Total	6,959,273	-	-	-	-	6,959,273	-	-	6,959,273

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX B**

**ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2018**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Investment Properties	R	R	R	R	R	R	R	R	R	R	R
Land	78,577,109	-	-	-	(1,622,000)	76,955,109	-	-	-	-	76,955,109
Total	78,577,109	-	-	-	-	76,955,109	-	-	-	-	76,955,109

**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2018**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R
Computer Software	2,021,431	148,610	-	-	-	2,170,041	1,960,054	73,436	-	2,033,490	136,551
Total	2,021,431	148,610	-	-	-	2,170,041	1,960,054	73,436	-	2,033,490	136,551
Total Asset Register	2,245,033,017	29,356,417	-	22,869,091	(811,130)	2,295,619,395	1,375,954,399	67,769,531	(750,266)	1,432,973,654	857,645,749

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX C**

**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018**

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	
	R	R	R	R	R	R	R	R	R
Executive and Council	1,233,044	1,076,206	-	(536,813)	1,772,437	1,022,591	229,960	(533,445)	1,053,331
Finance and Administration	3,145,263	187,734	-	(60,034)	3,272,962	2,170,617	293,282	(43,948)	853,011
Planning and Development	219,457,459	22,131	235,000	(9,630)	219,704,959	106,391,629	5,628,336	-	107,684,984
Community and Social Services	5,432,348	308,998	-	(119,437)	5,621,908	3,901,066	305,132	(104,120)	1,519,831
Health	78,398	-	-	(2,567)	75,831	65,363	2,549	(2,182)	10,100
Housing	14,885,748	3,319	-	(65,951)	14,823,116	7,858,803	624,450	(54,590)	6,394,853
Roads and Transport	404,631,394	13,555,133	13,262,236	(18,696)	431,432,067	267,071,471	11,705,885	(11,581)	152,666,292
Electricity	1,024,029,974	12,409,028	-	-	1,036,439,003	675,136,676	22,328,124	-	338,974,203
Waste Management	142,494,280	1,141,235	3,813,478	-	147,448,993	77,080,505	6,021,508	-	64,346,980
Water	342,887,296	499,022	5,598,377	-	348,943,694	233,295,613	15,556,869	-	100,091,212
<b>Total</b>	<b>2,158,275,204</b>	<b>29,201,806</b>	<b>22,869,091</b>	<b>(611,130)</b>	<b>2,209,534,972</b>	<b>1,373,994,336</b>	<b>62,696,095</b>	<b>(750,266)</b>	<b>773,594,807</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX D**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

2017 Actual Income	2017 Actual Expenditure	2017 Surplus/ (Deficit)	Description	2018 Actual Income	2018 Actual Expenditure	2018 Surplus/ (Deficit)
R	R	R		R	R	R
4,520,966	(9,162,649)	(4,641,682)	Executive and Council	2,985,085	(19,036,221)	(16,051,136)
37,060,319	(31,484,469)	5,575,850	Finance and Administration	50,983,064	(37,818,110)	13,164,954
1,592,681	(15,439,352)	(13,846,671)	Planning and Development	3,276,197	(15,588,526)	(12,312,329)
-	(20,669)	(20,669)	Health	960	(36,968)	(36,008)
1,975,601	(19,711,440)	(17,735,840)	Community and Social Services	1,777,156	(19,073,444)	(17,296,287)
690,655	(3,822,031)	(3,131,377)	Housing	1,232,034	(3,672,348)	(2,440,314)
17,106,919	(8,241,274)	8,865,645	Public Safety	10,700,812	(7,245,264)	3,455,548
171,528	(4,224,739)	(4,053,211)	Sport and Recreation	148,009	(4,388,015)	(4,240,006)
-	-	-	Environmental Protection	-	-	-
39,042,618	(32,237,665)	6,804,953	Waste Management	40,174,986	(36,931,020)	3,243,966
6,311,981	(22,798,336)	(16,486,355)	Roads and Transport	12,733,426	(22,679,158)	(9,945,732)
33,071,186	(35,006,780)	(1,935,594)	Water	45,911,341	(29,573,335)	16,338,006
83,726,226	(97,945,794)	(14,219,568)	Electricity	82,542,236	(96,646,494)	(14,104,258)
-	(1,264,672)	(1,264,672)	Other	-	(1,259,939)	(1,259,939)
<b>225,270,679</b>	<b>(281,359,870)</b>	<b>(56,089,191)</b>	<b>Total</b>	<b>252,465,307</b>	<b>(293,948,842)</b>	<b>(41,483,535)</b>



EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(1)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2018

Description	2018					2017				
	Original Budget	Budget Adjustments	Final Budget	Actual Disburse	Unauthorised Expenditure	Variance	Actual Outcomes in % of Final Budget	Actual Outcomes as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised by Council 21
<b>REVENUE - STANDARD</b>										
Revenue and Administration:										
Revenue and Council	4,242,253	4,242,253	4,242,253	2,895,085	-	(1,350,168)	68.24%	68.24%	-	-
Revenue and Administration	40,380,781	40,380,781	40,380,781	30,980,554	-	(9,400,227)	76.73%	76.73%	-	-
Community and Public Safety:										
Community and Social Services	1,682,178	1,682,178	1,682,178	1,777,156	-	95,978	105.68%	105.68%	-	-
Public Safety	1,682,178	1,682,178	1,682,178	1,777,156	-	95,978	105.68%	105.68%	-	-
Public Safety	4,984,810	4,984,810	4,984,810	10,700,819	-	5,716,009	214.66%	214.66%	-	-
Health	43,589	43,589	43,589	960	-	(42,629)	2.20%	2.20%	-	-
Health	43,589	43,589	43,589	960	-	(42,629)	2.20%	2.20%	-	-
Economic and Environmental Services:										
Economic and Environmental Services:										
Planning and Development	13,378,020	13,378,020	13,378,020	3,278,197	-	(10,099,823)	24.51%	24.51%	-	-
Food Transport	472,840	472,840	472,840	12,733,426	-	12,260,586	2693.53%	2693.53%	-	-
Trading Services:										
Electricity	94,498,379	94,498,379	94,498,379	85,643,298	-	(8,855,081)	90.63%	90.63%	-	-
Water	48,658,378	48,658,378	48,658,378	45,811,341	-	(2,847,037)	94.35%	94.35%	-	-
Water Management	43,171,813	43,171,813	43,171,813	40,174,886	-	(2,996,927)	93.05%	93.05%	-	-
Other:	-	-	-	-	-	-	-	-	-	-
Other:	-	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	257,248,688	(1,187,260)	256,061,428	251,481,587	-	(4,586,841)	98.21%	98.21%	-	-
<b>EXPENDITURE - STANDARD</b>										
Expenditure and Administration:										
Expenditure and Council	16,864,720	75,327	16,940,047	19,638,221	-	2,698,174	115.93%	115.93%	-	-
Budget and Treasury Office	36,048,718	(24,281)	36,024,437	37,818,110	-	1,793,673	104.98%	104.98%	-	-
Community and Public Safety:										
Community and Social Services	12,853,546	(223,077)	12,630,469	19,873,448	-	7,242,979	156.53%	156.53%	-	-
Sport and Recreation	5,219,887	5,219,887	5,219,887	4,388,015	-	(831,872)	84.26%	84.26%	-	-
Public Safety	9,847,119	9,847,119	9,847,119	7,243,268	-	(2,603,851)	73.57%	73.57%	-	-
Public Safety	2,395,718	2,395,718	2,395,718	3,873,346	-	1,477,628	161.82%	161.82%	-	-
Environmental Protection	152,717	152,717	152,717	38,968	-	(113,749)	25.51%	25.51%	-	-
Health	152,717	152,717	152,717	38,968	-	(113,749)	25.51%	25.51%	-	-
Economic and Environmental Services:										
Economic and Environmental Services:										
Planning and Development	12,888,375	12,888,375	12,888,375	15,588,520	-	2,700,145	119.80%	119.80%	-	-
Food Transport	18,663,973	18,663,973	18,663,973	22,878,158	-	4,214,185	120.39%	120.39%	-	-
Trading Services:										
Electricity	78,081,678	78,081,678	78,081,678	86,648,484	-	8,566,806	110.97%	110.97%	-	-
Water	15,249,720	15,249,720	15,249,720	29,871,335	-	14,621,615	196.86%	196.86%	-	-
Water Management	28,485,156	28,485,156	28,485,156	38,331,020	-	9,845,864	134.59%	134.59%	-	-
Other:	-	-	-	-	-	-	-	-	-	-
Other:	-	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	217,249,245	(7,259,871)	210,000,000	251,481,587	-	40,481,587	120.17%	120.17%	-	-
Surplus (Deficit) for the year	40,000,000	40,000,000	40,000,000	40,000,000	-	40,000,000	100.00%	100.00%	-	-
Surplus (Deficit) for the year	40,000,000	40,000,000	40,000,000	40,000,000	-	40,000,000	100.00%	100.00%	-	-
Surplus (Deficit) for the year	40,000,000	40,000,000	40,000,000	40,000,000	-	40,000,000	100.00%	100.00%	-	-
Surplus (Deficit) for the year	40,000,000	40,000,000	40,000,000	40,000,000	-	40,000,000	100.00%	100.00%	-	-

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX E(2)**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2018**

Description	Original Budget	Budget Adjustments	Final Adjustments	Final Budget	Variance	Actual Outcomes as % of Final Budget	Actual Outcomes as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised by the Council	Balances in the Reserve	Revised Audited Outcomes
	R	R	R	R	R	R	R	R	R	R	R
<b>REVENUE BY VOTE</b>											
Vote 1 - Enfranchisement and Council	4,245,523	-	4,245,523	4,245,523	(1,300,166)	(28.64%)	(28.64%)	-	-	-	4,520,866
Vote 2 - Enfranchisement and Council	4,520,866	-	4,520,866	4,520,866	4,711,800	104.23%	104.23%	-	-	-	9,232,666
Vote 3 - Planning and Development	13,378,000	(2,000,000)	11,378,000	11,378,000	(6,161,969)	(53.73%)	(53.73%)	-	-	-	1,582,881
Vote 4 - Health	1,863,178	-	1,863,178	1,863,178	89,378	4.79%	4.79%	-	-	-	1,952,556
Vote 5 - Community and Social Services	4,968,840	-	4,968,840	4,968,840	3,711,972	74.69%	74.69%	-	-	-	8,680,812
Vote 6 - Public Safety	1,863,178	-	1,863,178	1,863,178	1,863,178	100.00%	100.00%	-	-	-	3,726,356
Vote 7 - Enfranchisement and Council	4,520,866	-	4,520,866	4,520,866	1,201,366	26.57%	26.57%	-	-	-	5,722,232
Vote 8 - Road Transport	472,640	-	472,640	472,640	-	0.00%	0.00%	-	-	-	472,640
Vote 9 - Other	43,589	-	43,589	43,589	(1,188,443)	(2,728.48%)	(2,728.48%)	-	-	-	690,155
Vote 10 - Housing Services	26,425,523	-	26,425,523	26,425,523	(1,071,453)	(4.05%)	(4.05%)	-	-	-	27,496,976
Vote 11 - Enfranchisement and Council	16,246,518	-	16,246,518	16,246,518	16,246,518	100.00%	100.00%	-	-	-	32,493,036
Vote 12 - Waste Water Management	84,486,773	(5,300,000)	79,186,773	79,186,773	(8,654,537)	(10.92%)	(10.92%)	-	-	-	87,841,310
Vote 13 - Electricity	48,859,276	3,199,000	52,058,276	52,058,276	(5,947,255)	(11.42%)	(11.42%)	-	-	-	58,005,531
Vote 14 - Water	257,848,636	(4,181,000)	253,667,636	253,667,636	(682,399)	(0.27%)	(0.27%)	-	-	-	254,350,035
<b>Total Revenue by Vote</b>											
	257,848,636	(4,181,000)	253,667,636	253,667,636	(682,399)	(0.27%)	(0.27%)	-	-	-	254,350,035
<b>EXPENDITURE BY VOTE</b>											
Vote 1 - Enfranchisement and Council	1,863,178	75,327	1,938,505	1,938,505	4,096,164	212.16%	212.16%	-	-	-	6,034,669
Vote 2 - Enfranchisement and Council	4,520,866	(2,000,000)	2,520,866	2,520,866	2,882,151	114.33%	114.33%	-	-	-	5,403,017
Vote 3 - Planning and Development	12,896,375	-	12,896,375	12,896,375	(1,151,146)	(8.92%)	(8.92%)	-	-	-	11,745,229
Vote 4 - Health	152,717	-	152,717	152,717	6,342,999	4,153.16%	4,153.16%	-	-	-	18,188,216
Vote 5 - Community and Social Services	12,896,375	(222,097)	12,674,278	12,674,278	(2,517,855)	(19.85%)	(19.85%)	-	-	-	10,156,423
Vote 6 - Public Safety	5,218,887	-	5,218,887	5,218,887	6,013,205	115.22%	115.22%	-	-	-	11,232,092
Vote 7 - Sports and Recreation	16,663,923	-	16,663,923	16,663,923	8,013,205	48.10%	48.10%	-	-	-	24,677,128
Vote 8 - Road Transport	449,926	-	449,926	449,926	570,213	126.75%	126.75%	-	-	-	1,020,139
Vote 9 - Other	2,395,750	-	2,395,750	2,395,750	3,276,588	136.78%	136.78%	-	-	-	5,672,338
Vote 10 - Housing Services	11,245,150	-	11,245,150	11,245,150	6,794,238	60.43%	60.43%	-	-	-	18,039,388
Vote 11 - Enfranchisement and Council	12,896,375	-	12,896,375	12,896,375	27,444,816	212.80%	212.80%	-	-	-	40,341,191
Vote 12 - Waste Water Management	78,081,878	(900,000)	77,181,878	77,181,878	14,328,815	18.57%	18.57%	-	-	-	91,510,693
Vote 13 - Electricity	15,249,720	-	15,249,720	15,249,720	14,328,815	94.00%	94.00%	-	-	-	29,578,535
Vote 14 - Water	257,848,636	(1,268,631)	256,580,005	256,580,005	(65,493,372)	(25.52%)	(25.52%)	-	-	-	191,086,633
<b>Total Expenditure by Vote</b>											
	257,848,636	(1,268,631)	256,580,005	256,580,005	(65,493,372)	(25.52%)	(25.52%)	-	-	-	191,086,633
<b>Surplus (Deficit) for the year</b>											
	58,311,731	(12,816,416)	45,495,315	45,495,315	(19,497,857)	(42.87%)	(42.87%)	-	-	-	26,000,000

EMTHANJENI LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018  
APPENDIX E(3)

Description	2018										2017		
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Saving of Funds	Virement	Final Budget	Actual Outcomes	Unauthorised Expenditure	Variance	Actual Outcomes as % of Final Budget	Reported Unauthorised Expenditure	Expenditure authorised U.E. Sect 32	Balance to be Recovered
Revenue by Source													
Property Rates	21 782 540	-	21 782 540	-	-	21 782 540	31 782 141	-	4 027 801	1451%	-	-	30 751 648
Property Rates - Penalties & Collection Charges	58 203 439	18 862	58 217 305	-	-	58 217 305	78 360 442	-	369 442	100.00%	-	-	281 347
Service Charges - Electricity	25 863 997	2 088 650	27 952 647	-	-	27 952 647	35 894 752	-	16 942 105	128.43%	-	-	78 858 313
Service Charges - Water	15 971 765	1 376 330	17 348 115	-	-	17 348 115	25 894 752	-	16 942 105	149.00%	-	-	25 783 660
Service Charges - Sanitation	6 229 222	1 831 008	8 060 230	-	-	8 060 230	11 664 720	-	3 604 490	144.71%	-	-	11 521 796
Service Charges - Refuse	1 711 801	-	1 711 801	-	-	1 711 801	6 272 700	-	4 560 899	369.23%	-	-	6 221 871
Service Charges - Other	711 801	-	711 801	-	-	711 801	444 348	-	-267 453	62.44%	-	-	445 444
Interest Charges - Capital Equipment	1 254 049	-	1 254 049	-	-	1 254 049	1 692 857	-	468 808	134.83%	-	-	1 692 857
Interest Charges - External Investments	831 000	-	831 000	-	-	831 000	1 468 193	-	637 193	176.32%	-	-	1 392 029
Interest Earned - Outstanding Debtors	3 720 000	-	3 720 000	-	-	3 720 000	6 201 381	-	2 481 381	166.71%	-	-	862 201
Free Assets and Properties	1 700 000	-	1 700 000	-	-	1 700 000	830 397	-	-869 603	48.85%	-	-	1 641 335
Transfers and Payments	41 210 000	-	41 210 000	-	-	41 210 000	5 593 721	-	-35 616 279	13.57%	-	-	3 255 101
Other Revenue	28 119 625	(4 000 000)	24 119 625	-	-	24 119 625	2 725	-	-23 894 625	0.01%	-	-	713 809
Gains on Other Operations	268 000	-	268 000	-	-	268 000	2 725	-	-265 275	1.02%	-	-	-
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	212 413 131	83 284	212 496 415	-	-	212 496 415	315 211 692	-	11 765 277	14.86%	-	-	214 735 902
Expenditure													
Employee Related Costs	78 930 232	(327 856)	78 602 376	-	-	78 602 376	78 515 000	-	-87 376	100.00%	-	-	88 489 478
Remuneration of Councilors	5 275 150	75 327	5 350 477	-	-	5 350 477	5 334 661	-	-15 816	1.00%	-	-	4 835 161
Collection Costs	9 055 599	-	9 055 599	-	-	9 055 599	62 735 291	-	53 679 692	693.06%	-	-	81 579 182
Repairs and Maintenance	18 395 245	(900 000)	17 495 245	-	-	17 495 245	17 454 038	-	-41 207	100.00%	-	-	25 783 660
Repairs and Maintenance	2 054 710	-	2 054 710	-	-	2 054 710	11 804 347	-	9 749 637	571.83%	-	-	7 128 387
Bulk Purchases	60 434 251	-	60 434 251	-	-	60 434 251	58 837 553	-	-1 596 698	97.36%	-	-	59 027 026
General Expenses	9 818 660	-	9 818 660	-	-	9 818 660	8 840 878	-	-977 782	90.03%	-	-	8 354 489
General Expenses	42 804 893	(135 522)	42 669 371	-	-	42 669 371	23 248 372	-	-19 421 000	54.49%	-	-	25 045 849
Less on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	348 572	-	348 572	100.00%	-	-	273 079
Less on Sale of Land	-	-	-	-	-	-	1 596 630	-	1 596 630	100.00%	-	-	2 325
Total Expenditure	231 343 238	(7 268 951)	224 074 287	-	-	224 074 287	163 665 911	-	-60 408 376	72.99%	-	-	281 535 592
Surplus (Deficit)	(18 930 107)	1 379 905	(17 550 202)	-	-	(17 550 202)	(71 393 349)	-	-53 843 147	-284.25%	-	-	(68 567 010)
Transfers Recognised - Capital	14 402 000	-	14 402 000	-	-	14 402 000	21 300 349	-	8 900 349	149.99%	-	-	10 477 819
Surplus (Deficit) for the Year	(4 528 107)	(1 629 965)	(6 158 072)	-	-	(6 158 072)	(41 465 535)	-	-35 307 463	-684.89%	-	-	(58 089 191)

**EMTHANJENI LOCAL MUNICIPALITY  
APPENDIX E(4)**

**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2018**

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shilling of Funds	Virement	2017 Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.e. Not 22	Amount to be Reconciled	Finalised Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE - VOTE</b>															
Multi-year Expenditure															
Vote 1 Executive and Council															
Vote 2 Finance and Administration															
Vote 3 Planning and Development															
Vote 4 Health															
Vote 5 Community and Social Services															
Vote 6 Public Safety															
Vote 7 Sports and Recreation															
Vote 8 Road Transport															
Vote 9 Other															
Vote 10 Housing Services															
Vote 11 Waste Management															
Vote 12 Waste Water Management															
Vote 13 Electricity															
Vote 14 Water															
<b>Total Capital Expenditure - Multi-year</b>															
Single-year Expenditure															
Vote 1 Executive and Council	1 923 000		1 923 000			1 923 000	1 078 308		(844 692)	(44 08%)	(44 08%)				14 629
Vote 2 Finance and Administration	1 380 000		1 380 000			1 380 000	1 87 734		(1 872 266)	(85 10%)	(85 10%)				37 988
Vote 3 Planning and Development							22 131		22 131	100 00%	100 00%				
Vote 4 Health	130 000		130 000			130 000	188 988		58 988	145 38%	145 38%				432 027
Vote 5 Community and Social Services	57 000		57 000			57 000									
Vote 6 Public Safety	66 000		66 000			66 000									
Vote 7 Sports and Recreation	15 153 000	(2 300 000)	12 853 000			12 853 000	13 657 674		804 674	105 93%	105 93%				9 304 078
Vote 8 Road Transport															
Vote 9 Other															
Vote 10 Housing Services	28 822		28 822			28 822	3 319		3 319	11 50%	11 50%				301 649
Vote 11 Waste Management	981 000		981 000			981 000	8 482 036		7 501 036	85 54%	85 54%				
Vote 12 Waste Water Management	6 402 000	1 800 000	8 202 000			8 202 000	6 576 365		(1 625 635)	80 19%	80 19%				
Vote 13 Electricity	14 085 000	2 189 000	16 274 000			16 274 000	17 379 000		1 105 000	106 79%	106 79%				
Vote 14 Water															
<b>Total Capital Expenditure - Single-year</b>	<b>40 898 022</b>	<b>3 989 000</b>	<b>44 887 022</b>			<b>44 887 022</b>	<b>51 654 188</b>		<b>16 767 166</b>	<b>147 84%</b>	<b>147 84%</b>				<b>16 767 166</b>
<b>Total Capital Expenditure - Vote</b>	<b>40 898 022</b>	<b>3 989 000</b>	<b>44 887 022</b>			<b>44 887 022</b>	<b>51 654 188</b>		<b>16 767 166</b>	<b>147 84%</b>	<b>147 84%</b>				<b>16 767 166</b>
<b>CAPITAL EXPENDITURE - STANDARD</b>															
Government and Administration:															
Executive and Council	1 923 000		1 923 000			1 923 000	1 078 308		(844 692)	(44 08%)	(44 08%)				14 629
Budget and Treasury Office	808 840		808 840			808 840	187 734		(621 106)	(73 27%)	(73 27%)				37 988
Corporate Services	350 160		350 160			350 160			(350 160)	(100 00%)	(100 00%)				
Community and Public Safety:															
Community and Social Services	130 000		130 000			130 000	308 988		178 988	145 38%	145 38%				432 027
Sport and Recreation	66 000		66 000			66 000									
Public Safety	57 000		57 000			57 000									
Housing Services							3 319		3 319	100 00%	100 00%				301 649
Economic and Environmental Services:															
Planning and Development	15 153 000	(2 300 000)	12 853 000			12 853 000	13 657 674		804 674	105 93%	105 93%				9 304 078
Road Transport															
Trading Services:															
Electricity	8 402 000	1 800 000	10 202 000			10 202 000	8 576 365		(1 625 635)	83 58%	83 58%				
Water	14 085 000	2 189 000	16 274 000			16 274 000	17 379 000		1 105 000	106 79%	106 79%				
Waste Management	1 009 022		1 009 022			1 009 022	8 524 719		7 515 697	745 11%	745 11%				
Other:															
Other															
<b>Total Capital Expenditure - Standard</b>	<b>40 898 022</b>	<b>3 989 000</b>	<b>44 887 022</b>			<b>44 887 022</b>	<b>51 654 188</b>		<b>16 767 166</b>	<b>147 84%</b>	<b>147 84%</b>				<b>16 767 166</b>
<b>FUNDED BY:</b>															
National Government	19 906 250	(2 400 000)	17 506 250			17 506 250	25 908 813		8 402 563	148 08%	148 08%				
Provincial Government															
Other Transfers and Grants															
Transfers Reconciliation - Capital	11 908 250	(2 400 000)	9 508 250			9 508 250	25 908 813		16 400 563	172 58%	172 58%				
Internally Generated Funds	6 033 997		6 033 997			6 033 997	1 808 729		(4 225 268)	29 98%	29 98%				782 613
Donations							44 843		44 843	100 00%	100 00%				8 487 488
<b>Total Capital Funding</b>	<b>36 758 297</b>	<b>(2 400 000)</b>	<b>34 358 297</b>			<b>34 358 297</b>	<b>51 654 188</b>		<b>17 295 891</b>	<b>153 56%</b>	<b>153 56%</b>				<b>17 295 891</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX E(5)**  
**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018**

Description	2018							2017	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
Receipts									
Property Rates, Penalties and Collection Charges	24 941 995	-	24 941 995	24 941 995	31 790 141	8 848 146	27.46%	27.46%	19 103 749
Service Charges	113 321 180	(2 050 000)	111 271 180	111 271 180	90 823 104	(20 448 076)	(19.85)%	(18.38)%	94 705 710
Other Revenue	33 310 534	(3 400 000)	29 910 534	29 910 534	10 832 258	(19 078 276)	(87.48)%	(63.78)%	8 812 554
Government - Operating	40 781 000	-	40 781 000	40 781 000	41 797 459	1 038 459	2.54%	2.54%	42 852 512
Government - Capital	32 292 000	2 699 000	34 991 000	34 991 000	29 222 746	(5 768 254)	(9.50)%	(16.48)%	10 774 586
Interest	1 722 867	-	1 722 867	1 722 867	1 468 193	(254 674)	(14.78)%	(14.78)%	1 759 539
Payments									
Suppliers and Employees	(205 541 689)	2 908 000	(202 633 689)	(202 633 689)	(166 655 672)	35 977 766	(18.92)%	(17.78)%	(154 337 123)
Finance Charges	(2 054 710)	-	(2 054 710)	(2 054 710)	(3 820 341)	(1 765 631)	85.93%	85.93%	(1 761 341)
Transfers and Grants	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	<b>38 753 177</b>	<b>157 001</b>	<b>38 910 228</b>	<b>38 910 228</b>	<b>35 457 698</b>	<b>(3 452 530)</b>			<b>21 912 242</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Receipts									
Proceeds on Disposal of PPE	268 000	-	268 000	268 000	98 600	(171 400)	(63.96)%	(63.96)%	91 355
Decrease / (Increase) in Non-current Debtors	-	-	-	-	-	-	-	-	-
Decrease / (Increase) Other Non-current Receivables	-	-	-	-	(112)	(112)	(100.00)%	(100.00)%	(105)
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	-	-
Payments									
Capital Assets	(39 082 000)	(2 699 000)	(41 781 000)	(41 781 000)	(32 006 796)	9 774 204	(18.10)%	(23.39)%	(11 645 533)
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	<b>(38 814 000)</b>	<b>(2 699 000)</b>	<b>(41 513 000)</b>	<b>(41 513 000)</b>	<b>(31 910 308)</b>	<b>9 602 692</b>			<b>(11 544 282)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Receipts									
Increase / (Decrease) in Consumer Deposits	-	94 769	94 769	94 769	-	(94 769)	#DIV/0!	(100.00)%	-
New Loans raised	94 769	3 338 424	3 433 193	3 433 193	-	(3 433 193)	(100.00)%	(100.00)%	1 156 171
Payments									
Loans repaid	-	(3 433 193)	(3 433 193)	(3 433 193)	(3 388 269)	44 924	#DIV/0!	(1.31)%	(2 684 018)
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	<b>94 769</b>	<b>-</b>	<b>94 769</b>	<b>94 769</b>	<b>(3 388 269)</b>	<b>(3 483 038)</b>			<b>(1 527 847)</b>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>33 945</b>	<b>(2 541 949)</b>	<b>(2 508 004)</b>	<b>(2 508 004)</b>	<b>159 121</b>	<b>2 667 124</b>			<b>8 820 114</b>
Cash / Cash Equivalents at the Year begin:	1 138 500	2 309 394	3 447 894	3 447 894	2 784 237	(663 657)	144.55%	(19.25)%	(1 306 402)
Cash / Cash Equivalents at the Year end:	1 172 446	(232 555)	939 890	939 890	2 943 359	2 003 468	151.04%	213.16%	7 523 712

# EMTHANJENI LOCAL MUNICIPALITY

## APPENDIX F

### DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

#### Grants and Subsidies Received 30 June 2018

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Total Receipts	Total Expenses	Net Grant	Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
			Total	Total	Total		Yes / No	
Equitable Share	Nat Treasury	-	37,094,000	(37,094,000)	-	-	Yes	N/a
Library Grant	Provincial	-	885,543	(885,543)	-	-	Yes	N/a
EPWP	Nat Treasury	389,953	696,047	(1,000,079)	85,921	-	Yes	N/a
MIG	Nat Treasury	1,763,711	12,292,000	(14,055,711)	-	-	Yes	N/a
FMG	Nat Treasury	-	1,700,000	(1,700,000)	-	-	Yes	N/a
WSIG	Nat Treasury	-	14,000,000	(12,100,762)	1,899,238	-	Yes	N/a
RBIG	Nat Treasury	-	-	-	-	-	Yes	N/a
DWA	Provincial	15,621	-	-	15,621	-	Yes	N/a
Nonzwakazi Revitalisation	Provincial	-	-	-	-	-	Yes	N/a
Phandulwazi Upgrade	Provincial	150,000	-	-	150,000	-	Yes	N/a
Housing Accreditation	Provincial	-	1,194,437	(1,194,437)	-	-	Yes	N/a
Department of Health	Provincial	-	-	-	-	-	Yes	N/a
Department of Education	Provincial	1,232,100	-	-	1,232,100	-	Yes	N/a
Department of Roads	Provincial	267,600	-	-	267,600	-	Yes	N/a
Fire Equipment	Provincial	39,188	-	-	39,188	-	Yes	N/a
INEP	Nat Treasury	-	7,500,000	(7,500,000)	-	-	Yes	N/a
<b>Total Grants and Subsidies Received</b>		<b>3,858,172</b>	<b>75,362,027</b>	<b>(75,530,532)</b>	<b>3,689,667</b>			

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX G**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2018

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R
Mayor Shonga ST	-	558 940	-	230 713	8 018	-	795 671
Speaker Kxvedo MC	-	447 152	-	193 451	5 178	-	645 781
Councillors							
AF Jathra	-	227 002	-	120 067	2 056	-	349 125
HJ Rust	-	269 405	-	66 812	2 072	-	338 289
WJ Du Plessis	-	178 884	-	103 361	1 960	-	282 206
PD Van Wyk	-	178 885	-	103 361	2 427	-	282 673
LE Andrews	-	178 884	-	103 361	2 427	-	282 673
SJ Hartman	-	178 884	-	103 361	2 427	-	282 673
L Bibe	-	178 885	-	103 361	2 427	-	282 673
RR Faul	-	178 884	-	103 361	2 427	-	282 673
MO Maramba	-	178 885	-	103 361	2 685	-	282 931
PP Mntshali	-	178 884	-	103 361	2 427	-	282 673
D Vaneel	-	178 884	-	103 361	2 427	-	282 673
CJ Louw	-	178 884	-	103 361	2 427	-	282 673
NP Mmontwana	-	233 858	-	122 355	3 065	-	359 277
<b>Total for Councillors</b>	-	<b>3,325,201</b>	-	<b>1,767,812</b>	<b>42,448</b>	-	<b>5,135,461</b>
Municipal Manager Visser I	-	918 913	268 810	425 844	173 041	246 892	2,033,099
Chief Financial Officer							
Manuel MF	-	380 517	301 719	100 823	73 522	182 400	1,036,981
Jack JP	-	129 749	-	96 686	11 827	-	238 262
Ludwick MR	114 378	154 629	-	43 524	31 398	-	343 929
Director: Community Services Mhlanga TW	-	568 999	43 250	215 704	159 341	-	987 294
Director: Corporate Services Appies CP	100 136	258 946	36 866	60 186	79 847	-	535 991
Jack MR	-	218 728	119 341	114 728	42 681	96 827	592 301
Director: Infrastructure and Technical Services Owies MJV	-	729 057	146 768	154 585	142 621	-	1,173,031
<b>Total for Senior Managers</b>	<b>214,513</b>	<b>3,267,530</b>	<b>914,553</b>	<b>1,211,268</b>	<b>716,376</b>	<b>528,118</b>	<b>6,942,867</b>
<b>Total for Management</b>	<b>214,513</b>	<b>6,883,737</b>	<b>914,553</b>	<b>2,979,300</b>	<b>796,826</b>	<b>528,118</b>	<b>12,377,648</b>

30 June 2017

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R
Mayor Shonga ST	-	532 324	-	203 680	8 674	-	744 678
Speaker Freddie Mui Kxvedo MC	-	45 709	-	17 831	408	-	63 948
	-	403 742	-	158 713	4 869	-	567 344
Councillors							
GL Nyl	-	23 680	-	10 501	193	-	34 375
M Mahabe	-	17 222	-	8 350	195	-	25 767
AF Jathra	-	218 389	-	99 029	2 290	-	319 698
GL Mumba	-	17 222	-	8 350	143	-	25 716
NS Thomas	-	17 222	-	8 350	180	-	25 752
B Swanepoel	-	22 102	-	9 878	181	-	32 258
J Jood	-	17 222	-	8 350	160	-	25 732
HJ Rust	-	261 699	-	44 239	2 095	-	308 033
WJ Du Plessis	-	186 337	-	81 684	1 776	-	269 797
G Jonas	-	17 222	-	8 350	143	-	25 716
F Swanepoel	-	17 222	-	8 350	180	-	25 752
PD Van Wyk	-	152 968	-	73 334	2 059	-	228 359
LE Andrews	-	152 968	-	73 334	2 059	-	228 359
SJ Hartman	-	152 968	-	73 334	1 958	-	228 258
L Bibe	-	152 968	-	73 334	2 059	-	228 359
RR Faul	-	152 968	-	73 334	2 059	-	228 359
MO Maramba	-	152 968	-	73 334	2 184	-	228 464
PP Mntshali	-	152 968	-	73 334	1 958	-	228 258
D Vaneel	-	152 968	-	73 334	2 059	-	228 359
CJ Louw	-	152 968	-	73 334	1 958	-	228 258
NP Mmontwana	-	202 235	-	90 445	2 658	-	295 338
<b>Total for Councillors</b>	-	<b>3,316,514</b>	-	<b>1,468,376</b>	<b>40,291</b>	-	<b>4,825,181</b>
Municipal Manager Visser I	-	658 082	192 323	286 255	169 640	105 831	1,612,131
Chief Financial Officer							
Manuel MF	-	640 000	151 783	239 604	164 337	0	1,395 708
Director: Community Services Diamane EV	-	405 546	46 169	69 728	49 077	49 117	619 636
Director: Corporate Services Jack MR	-	825 378	65 115	178 158	121 481	158 903	1 170 035
Director: Infrastructure and Technical Services Owies MJV	-	678 381	136 199	132 000	133 005	14 333	1 093 899
<b>Total for Senior Managers</b>	-	<b>3,405,367</b>	<b>613,570</b>	<b>905,745</b>	<b>637,540</b>	<b>328,183</b>	<b>5,681,406</b>
<b>Total for Management</b>	-	<b>6,719,881</b>	<b>613,570</b>	<b>2,314,121</b>	<b>677,831</b>	<b>328,183</b>	<b>10,714,534</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX H**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2018**

Ratio	Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
			2017	2016	
<b>1. FINANCIAL POSITION</b>					
<b>A. Asset Management / Utilisation</b>					
1. Capital Expenditure to Total Expenditure	10% - 20%	Total Operating Expenditure Taxation Expense Total Capital Expenditure	0.13% 282,805,951 31,858,186	0.13% 281,357,545 10,299,372	The Municipality financed acquisitions through an external loan (finance lease).
2. Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%	PPE - Investment Property - impairment PPE at Carrying Value IP at Carrying Value Intangible Assets at Carrying Value	-0.04% (544,099) 775,584,826 78,953,109 130,551	0.04% 568,038 808,483,601 78,577,108 81,377	The impairment figure reported is immaterial and is the result of assets being damaged during the normal course of business.
3. Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%	Total Repairs and Maintenance Expenditure PPE at Carrying Value Investment Property at Carrying Value	11,943,347 775,584,826 78,953,109	10,328,840 808,483,601 78,577,108	As a number of Infrastructure Assets are new, the required maintenance on these items are not yet as high as it will be later in their useful lives.
<b>B. Debtors Management</b>					
1. Collection Ratio	95%	Gross Debtors Closing Balance Gross Debtors Opening Balance Bad Debts Written-off Billed Revenue	190,009,457 182,431,056 - 149,188,416	162,431,058 135,340,778 - 149,025,360	Management is attempting to increase the recoverability rate and a service provider has been appointed to assist the Municipality with this.
2. Bad Debts Written-off as % of Provision for Bad Debt	100%	Consumer Debtors Bad Debts Written-off Consumer Debtors Current Bad Debt Provision	0.00% - 126,736,391	0.00% - 109,881,934	
3. Net Debtors Days	30 Days	Gross Debtors Bad Debts Provision Billed Revenue	190,009,457 126,736,391 149,188,416	162,431,058 109,881,934 149,025,360	Management is attempting to increase the recoverability rate and a service provider has been appointed to assist the Municipality with this.
<b>C. Liquidity Management</b>					
1. Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 Months	Cash and Cash Equivalents Unspent Conditional Grants Overdraft Short-term Investments Total Annual Operational Expenditure	12,828,252 3,889,667 9,882,993 - 282,805,951	10,702,493 3,857,822 7,918,256 - 281,359,870	As required by the MFMA, management is committed to pay outstanding debt within the 30 day legislative deadline.
2. Current Ratio	1.5 - 2:1	Current Assets Current Liabilities	84,919,584 82,901,775	74,048,820 72,290,645	
<b>C. Liability Management</b>					
1. Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%	Interest Paid Redemption Total Operating Expenditure Taxation Expense	0.34% 1,208,591 (3,028,003) 282,805,951	0.35% 1,208,591 (3,028,003) 281,359,870	
2. Debt (Total Borrowings) / Revenue	45%	Total Debt Total Operating Revenue Operational Conditional Grants	2.38% 4,747,099 241,122,415 41,797,459	4.39% 8,138,368 225,728,578 40,220,691	
<b>C. Sustainability</b>					
1. Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%	Cash and Cash Equivalents Bank Overdraft Unspent Grants Net Assets Accumulated Surplus	100.00% 12,828,252 9,882,993 3,889,667 768,758,272 768,758,272	100.00% 10,702,493 7,254,599 3,857,822 822,824,448 822,824,448	



**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX H**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2018**

Ratio	Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
			2017	2018	
1. FINANCIAL PERFORMANCE					
A. Efficiency					
1. Net Operating Surplus Margin	= or > 0%	Total Operating Revenue	241,122,415	225,728,578	
		Depreciation - Revalued Portion	-	-	
		Total Operating Expenditure	262,605,951	277,172,986	
		Taxation Expense	-	-	
2. Net Surplus / Deficit Electricity	0% - 15%	Total Electricity Revenue	82,542,236	83,726,226	
		Total Electricity Expenditure	98,648,494	97,945,794	
3. Net Surplus / Deficit Water	= or > 0%	Total Water Revenue	45,911,341	33,071,168	
		Total Water Expenditure	29,573,335	35,006,780	
4. Net Surplus / Deficit Refuse	= or > 0%	Total Waste Management	40,174,986	38,042,818	
		Total Waste Management	36,931,020	32,237,665	
B. Distribution Losses					
1. Electricity Distribution Losses (Percentage)	7% - 10%	Number of Units Purchased and/or Generated	59,789,142	58,223,924	
		Number of Units Sold	43,702,694	46,800,334	
2. Water Distribution Losses (Percentage)	15% - 30%	Number of Kilolitres Purchased and/or Purified	2,481,703	2,160,715	The problem with lapsed meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they
		Number of Kilolitres Sold	1,577,357	1,448,344	
C. Revenue Management					
1. Growth in Number of Active Consumer Accounts	None	Number of Active Debtors Accounts (Previous)	32,154	32,154	
		Number of Active Debtors Accounts (Current)	27,879	27,879	
2. Revenue Growth (%)	= CPI	CPI	8.82%	8.31%	
		Total Revenue (Previous)	225,728,578	208,402,845	
		Total Revenue (Current)	241,122,415	225,728,578	
3. Revenue Growth (%) - Excluding Capital Grants	= CPI	CPI	-1.87%	8.24%	
		Total Revenue, excluding Capital Grants (Previous)	215,246,757	198,864,267	
		Total Revenue, excluding Capital Grants (Current)	211,218,602	218,348,757	
D. Expenditure Management					
1. Creditors Payment Period (Trade Creditors)	30 Days	Trade Creditors	46,674,682	31,186,888	
		Contracted Services	6,960,678	8,358,489	
		Repairs and Maintenance	11,943,347	12,224,936	
		General Expenses	23,238,377	24,950,763	
		Bulk Purchases	59,937,583	59,027,028	
		Capital Credit Purchases	-	-	
2. Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%	Irregular, Fruitless & Wasteful and Unauthorised Expenditure	45,256,767	86,426,124	
		Total Operating Expenditure	262,605,951	277,172,986	
		Taxation Expense	-	-	
3. Remuneration as % of Total Operating Expenditure	25% - 40%	Employee / Personnel Related Cost	76,915,008	68,489,476	
		Councillors Remuneration	5,334,861	4,835,161	
		Total Operating Expenditure	262,605,951	277,172,986	
		Taxation Expense	-	-	
4. Contracted Services % of Total Operating Expenditure	2% - 5%	Contracted Services	6,960,678	8,358,489	
		Total Operating Expenditure	262,605,951	277,172,986	
		Taxation Expense	-	-	

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX H**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2018**

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2017	2016	
E. Grant Dependency						
1. (Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	None	Internally Generated Funds	6.13%	51.45%		
		Borrowings	1,906,729	858,481		
		Total Capital Expenditure	44,843	9,497,458		
			31,858,188	20,125,465		
2. Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None	Internally Generated Funds	5.99%	4.26%		
			1,906,729	858,481		
		Total Capital Expenditure	31,858,188	20,125,465		
3. Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	None	Total Revenue	80.21%	61.31%		
			241,122,415	225,728,578		
		Government Grant and Subsidies	71,704,272	50,898,510		
		Public Contributions and Donations	-	-		
		Capital Grants	29,936,813	10,477,819		
F. BUDGET IMPLEMENTATION						
A. Efficiency						
1. Capital Expenditure Implementation Indicator	Budget	95% - 100%	Actual Capital Expenditure	31,858,188	20,125,465	The Municipality planned to finance some of its capital needs through a loan. This loan was however not obtained during the year.
			Budgeted Capital Expenditure	41,781,000	18,339,247	
2. Operating Expenditure Implementation Indicator	Budget	95% - 100%	Actual Operating Expenditure	282,605,951	277,172,988	The unfavourable ratio is due to non-cash items, such as depreciation and impairment losses being recognised, which was not fully budgeted for.
			Budgeted Operating Expenditure	230,081,194	217,318,184	
3. Operating Revenue Implementation Indicator	Budget	95% - 100%	Actual Operating Revenue	241,122,415	225,728,578	
			Budgeted Operating Revenue	253,447,898	229,203,464	
4. Service Charges and Property Rates Revenue Budget Implementation Indicator	Budget	95% - 100%	Actual Service Charges and Property Rates Revenue	149,188,418	149,481,257	More revenue generated than budgeted for.
			Budgeted Service Charges and Property Rates Revenue	144,838,819	142,358,563	
Interpretation of Results:						
The green colour indicates that the result is within the norm and is acceptable.						
The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.						
Data should be captured in the blue coloured cell to calculate a ratio.						
# In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.						